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WORLD NEWS

Ambulance peace talks collapse

Ambulance peace talks collapsed after only two hours in London yesterday. Union leaders said they had been brought to the meeting under false pretences. Ambulance staff now plan to step up their industrial action.

Roger Poole, the unions' chief negotiator during the nine-week pay dispute, said the employers had refused to increase their 6.5 per cent offer. Page 24

Bulgaria backs change
Bulgaria's National Assembly backed sweeping changes while new party leader Petar Mladenov sacked ministers promoted by his predecessor Todor Zhivkov. Page 24; Excess spoiled millionaires' party, Page 3

Yugoslav mine rescue
Rescuers fought to save more than 100 coal miners trapped below ground by a fire at the Aleksinac pit 140 miles south of the Yugloslav capital, Belgrade. There were no immediate reports of casualties. Soviet miners' talks stalled, Page 3

Hong Kong warning
Vietnamese who fled to Hong Kong were not genuine refugees and would have to be sent back, said the colony's Governor, Sir David Wilson. Page 2

Osman 'lawfully held'
Banker Lorrain Osman, held in London's Pentonville Prison for four years without trial, is being lawfully detained, two High Court judges ruled. The Hong Kong Government is seeking Mr Osman's extradition to stand trial for fraud, theft and corruption.

Envoy smuggled drugs
Peruvian diplomat Jose Manuel Pacheco was found guilty in London of smuggling £4m-worth of cocaine in a diplomatic pouch. He and his co-accused, Lima businessman Carlos Alberto Margary, were jailed for 20 years each.

Sunday post collections
Sunday post collection will restart in some places this weekend after more than a decade. Collections will be made at selected post boxes in Edinburgh, Darlington, Cardiff, Newcastle upon Tyne and Northern Ireland. Page 7

British journalist killed
British journalist David Blundy, 44, of the Sunday Correspondent newspaper, died of a bullet wound in San Salvador. He was caught in crossfire during a skirmish between left-wingers and government troops in the El Salvador capital. Page 2

BBC must hand over film
A Manchester judge ordered the BBC to hand over film of a rally last month at which Dr Kalim Siddiqui of the Moslem Institute in London asked for a vote on whether Satanic Verses author Salman Rushdie, should die for his "blasphemy". The Crown Prosecution Service is considering criminal proceedings.

Dutch milk back on sale
The Dutch Health Ministry allowed the resumption of milk sales from 12,000 cows contaminated by lead from tainted cattle feed. Two animal feed traders charged this week with knowingly selling dangerous goods were further remanded.

Paris Metro strike
Workers on a Paris Metro line went on strike in protest against gang violence and drug dealing on Line Nine of the underground. Earlier in the week, rival drug gangs fought with guns, machetes and crowbars on Mairie de Montreuil station at the eastern end of the line.

The mighty fallen
Jubilant Poles watched Warsaw workmen demolish the 18-ft high statue of Feliks Dzierzynski, hated Polish founder of the Soviet security police. "Got him at last", muttered one elderly onlooker. "I've waited years for this."

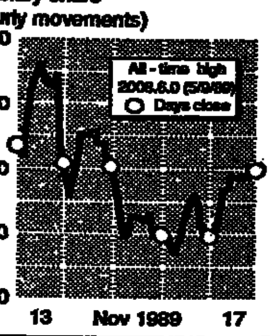
BUSINESS SUMMARY

Allied-Lyons in bid for US doughnut chain

ALLIED-LYONS, UK foods group, offered $325m (£203m) for Dunkin' Donuts, the world's largest doughnut franchise chain with 1,600 US outlets and 250 in Japan and Europe. The $47.25 a share offer was recommended by the Dunkin' board and is subject to US Government consent. Page 24 and Lex

EQUITIES trading remained firm in thin volume at the end of an uneasy week, in spite of discomforting news on domestic inflation. Measured

FT Index



by the October Retail Price Index, it showed an annualised gain of 7.3 per cent, exceeding analysts forecasts of around 7 per cent. Page 17

GENERAL ELECTRIC, US industrial and financial services group, plans to buy back up to $10bn of its stock, nearly 20 per cent of the total equity, over the next five years. It also announced a 15 per cent increase in its quarterly dividend to 47 cents a share beginning in January. Page 12

KOHLBERG KRAVIS Roberts of New York faces the bankruptcy of one of its companies, Nashville-based SCI Television, after three small bondholders filed suit claiming interest on an SCI junk bond. Page 12

LONDON WEEKEND Television won approval for a capital restructuring scheme in spite of opposition from some institutional shareholders. The company's shares rose 19p on the news, closing at 212p. Page 10

MITSUI displaced C. Itoh as the top Japanese general trading company in terms of revenues in the six-month period to September 30. Mitsui became the leading company for the first time in 23 years partly through robust sales of gold ingots. Page 12

OTSUKA Chemical Co, Japanese manufacturer of plastics additives, concluded a contract to purchase all outstanding shares of Spanish company Hebron SA. The undisclosed price was estimated at around Y2.2bn (£9.7m).

GUINNESS PEAT Aviation, leading aircraft leasing company, has offered to spend $2bn (£1.3bn) on the technology and equipment needed for a "proper" Air Traffic Control system for Europe. Page 2

BROWN SHIPLEY, troubled merchant banking and financial services group, extended its recovery by reporting sharply higher interim profits. Page 11

EXXON CHEMICAL and Shell Chimie confirmed they are to construct a joint linear low density polyethylene plant at Notre-Dame-de-Gravenchon in France. The plant will cost $170m (£107m). Production should start in the third quarter of 1991.

INTERNATIONAL Finance Corporation, a World Bank affiliate, approved financing for a $93m (£58m) hotel in Istanbul. The Istanbul Conrad, 40 per cent owned by Hilton subsidiary Conrad International Hotels, will be Turkey's biggest foreign hotel investment, providing 643 beds by the end of 1991.

SCOTTISH Development Agency, Scotland's largest industrial landlord with property assets of more than £180m, is to sell a significant part of its property portfolio to the private sector.

Peat Marwick quits as auditors ● Non-existent deals disclosed

Ferranti plans legal action

By Hugo Dixon and Charles Leadbeater


Derek Alun-Jones Alan Harper

FERRANTI International Signal plans imminent legal action to recover as much as possible of the damages it has suffered as a result of an alleged £215m fraud.

Although the company refused to say officially who would be sued, attention focused on Peat Marwick McLintock, one of its two auditors. Peat Marwick was the auditor of ISC Technologies, the Ferranti subsidiary at the heart of the alleged fraud.

Ferranti said yesterday that Peat Marwick had resigned as its auditors. Grant Thornton, Ferranti's auditors prior to the merger, was being retained.

Sir Derek Alun-Jones, Ferranti's chairman, disclosed yesterday that the fraud involved three non-existent arms deals in Pakistan, China and Nigeria.

ISC paid a web of Panamanian and Swiss companies who were purporting to be sub-contractors. Some of the money was recycled back to ISC to create the illusion that the contracts were real. This artificially inflated ISC's assets and profits. But Ferranti said the cycle was broken to allow more than half the £215m to be syphoned off as cash.

About £12m in cash was taken following Ferranti's acquisition of International Signal & Control, ISC Technologies' parent, in September 1987. Although most of the cash was removed before the takeover, Ferranti suffered because it paid £420m for a company which it now believes had no net worth.

Sir Derek's disclosures came at a press conference to publish a new report and accounts for the company. The previous set of accounts had to be withdrawn following the discovery of the fraud.

According to the new report, Ferranti's pre-tax profits for the year to the end of March 1989 were £13.1m, down from the £55.8m previously stated. The group's net worth at that time was £192.8m, compared with £369.2m.

Although most of the adjustments are a result of the alleged fraud, £14.4m of the reduction in profits has nothing to do with ISC Technologies. Most of this extra adjustment is due to the higher than expected costs of developing Ferranti's "Ranger" energy management system.

In the new report, Sir Derek denied stories that Ferranti's board had been warned about irregularities, or even suspicions of irregularities, at ISC. He said Ferranti had held discussions with ISC's management and its advisers prior to the merger which were "at least as extensive as normal in such situations."

In a statement which appears to seek to put the blame for failing to spot the fraud on ISC's auditors, Sir Derek wrote: "We had no reason to doubt the validity of ISC's audited accounts and reliance was placed on the last audited accounts of ISC immediately prior to the merger."

Sir Derek said Ferranti had no reason to regret the merger until earlier this year, when some trading and managerial problems emerged.

Ferranti's shares closed last night 1.5p down at 53.5p.
Ferranti affair, Page 10; Lex, Page 24

JANUARY 1981: Ferranti-ISC reciprocal marketing agreement.
OCTOBER 1982: ISC London listing.
SEPTEMBER 1987: Ferranti acquires ISC for £420m
MAY 1989: James Guerin and Clyde Ivy of ISC leave Ferranti board.
SEPTEMBER 11: Ferranti shares suspended.
SEPTEMBER 18: Serious possible fraud disclosed.
SEPTEMBER 29: Suspect contracts valued at £215m, forcing £185m write off.
OCTOBER 3: Shares resume trading.
OCTOBER 20: Serious Fraud Office launches investigation.
NOVEMBER 17: Revised accounts published.

Bank intervention fails to stop pound falling

By Patrick Harverson, Economics Staff

BANK of England intervention failed to prevent the pound falling on foreign exchange markets yesterday in the wake of figures showing underlying inflation in Britain at its highest level for six-and-a-half years.

The Bank stepped in twice, selling dollars and European Currency Units for pounds. Dealers reported steady selling of sterling by overseas investors concerned that the Government would not raise interest rates further in spite of the worrying trend in inflation.

Yesterday's figures for the retail prices index in October showed that underlying inflation – the rate of price rises excluding the effect of mortgage interest rates – rose last month from 5.8 per cent to 6.1 per cent, its highest since February 1983, according to the Central Statistical Office.

The annual rate of inflation, including mortgage interest payments, was 7.3 per cent in October, down from 7.6 per cent in September. The monthly rise in prices during October was 0.8 per cent.

The rise in underlying inflation suggests that while high interest rates have cut consumer spending, the slowdown in demand has yet to feed through into lower shop prices. It appears producers and retailers have been passing on rising wage and interest costs to the consumer, rather than accepting a squeeze on profit margins.

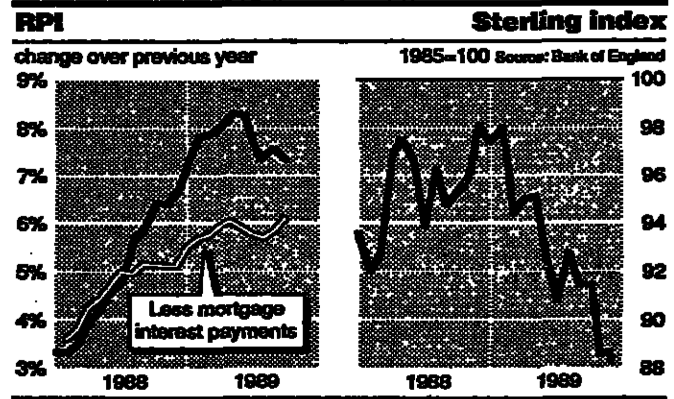
This reinforces fears that wage pressures have replaced demand pressures as the driving force behind inflation. Industry's labour costs rose sharply in September as underlying earnings increased and productivity growth slowed.

City analysts said that if wage costs were not restrained the Government could lose its fight to push inflation down to acceptable levels within two years.

The figures surprised the Treasury. Inflation had been expected to fall to about 7 per cent because of the removal from the calculations of the 1¼ per cent rise in mortgage rates in October 1988 and there were hopes that underlying inflation had peaked.

The Government regards the underlying rate as the best indicator of UK inflation and yesterday's figures will disappoint to Mr John Major, the Chancellor.

In the Autumn Statement on Wednesday, the Chancellor forecast that inflation would be about 7.5 per cent at the end of this year, but this might prove optimistic. City analysts warned yesterday that, with last month's rises in mortgage rates still to feed through into the retail prices index, inflation could end the year close to 8 per cent.



The general index of retail prices stood at 117.5 in October (January 1987 = 100) against 116.6 in September. The tax and prices index, which includes the effect of taxes on inflation, stood at 111.7 after a previous 112.2.

By the close of trading in London, the pound was .005 lower against the D-Mark at DM2.8900 and 0.9 cents weaker at $1.5690. On the Bank of England's trade-weighted sterling index (1985 = 100) it fell ½ a point to 88.1.
Editorial comment, Page 8; Currencies, Page 13

East German PM outlines reforms

By Leslie Colitt in East Berlin

MR HANS MODROW, East Germany's reformist Prime Minister, outlining wide-ranging economic and political reforms to Parliament yesterday, said the changes sweeping the country were "irreversible."

The new Prime Minister said the people would "sweep aside anyone who dared try to reinstate former conditions." He sharply criticised the way East Germany had been ruled in the past and pledged reduced central planning, a larger private enterprise sector and greater freedom for the people. In a radical break with the past, he also offered Western companies joint ventures with East German companies.

Mr Modrow's comments came as the wave of street demonstrations and demands for reform sweeping Eastern Europe spread to Czechoslovakia. Tens of thousands of young Czechoslovaks demonstrated in one of the largest protests in years against the hard-line Communist leadership. Unlike the last demonstration a few weeks ago, the police did not intervene.

Mr Modrow said better socialism would mean a chance for a life "bright and rich in content," which made room for individuality. "Everyone can roll up his sleeves, now it is worthwhile," he told nearly 500 deputies in a televised session of Parliament. Many East Germans were not watching, however, as nearly 3m of them crossed into West Berlin and West Germany yesterday.

Millions of citizens had visited the West in recent days and "most of them came back," the Prime Minister said. He added that the opening of the borders last Thursday had motivated them to remain in East Germany, but the exodus of nearly 100,000 people to the West this year meant the economy had reached the "pain threshold." He appealed to the refugees to return.

The Government's main task, Mr Modrow said, was to extract the unwieldy centrally-planned economy out of its
Continued on Page 24
Man in the news, Page 9; US seeks to reassure, Page 24

PM too hostile on Europe say businessmen

By Malcolm Rutherford

JUST OVER 60 per cent of senior British businessmen regard Mrs Margaret Thatcher's approach to Europe as "too hostile."

There has, however, been no dramatic decline in their confidence in the British Government's handling of the economy over the last five months, according to an ICM poll conducted for the Financial Times following the Chancellor's Autumn Statement on Wednesday. A much bigger fall in confidence was recorded in a similar poll last June.

A large majority (68 per cent) expect demand in the British economy to slow only moderately in the next 12 months: 24 per cent expect it to slow rapidly, and 7 per cent think it will hardly slow at all.

If there is a recession, nearly 40 per cent expect it to last for no more than one year, but nearly 50 per cent say two years and 10 per cent more
Continued on Page 24

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime:	New York lunchtime:	FT-SE 100:
$1.5695	DM1.8408	2,221.4 (+11.6)
London:	FFr6.2600	FT Ordinary:
$1.5690 (1.578)	SFr1.6315	1,769.3 (+10.1)
DM2.8900 (2.895)	Y144.30	FT-A All-Share:
FFr9.8300 (9.8675)	London:	1,115.15 (+0.5)
SFr2.5825 (2.57)	DM1.8425 (1.835)	New York lunchtime:
Y226.50 (226.75)	FFr6.2650 (6.2475)	DJ Ind. Av.
£ index 88.1 (88.6)	SFr1.633 (1.628)	2,646.72 (+11.06)
GOLD	Y144.40 (143.75)	S&P Comp
New York: Comex Dec	$ index 70.0 (69.6)	341.42 (+0.84)
$395.8 (392.7)	Tokyo close: Y143.88	Tokyo: Nikkei
London:	US LUNCHTIME RATES	35,963.74 (+87.40)
$391.25 (393.25)	Fed Funds $8\frac{7}{16}$	LONDON MONEY
N SEA OIL (Argus)	3-mo Treasury Bills:	3-month interbank:
Brent 15-day Jan	yield: 7.93%	closing $15\frac{1}{16}$ ($15\frac{1}{32}$)
$18.525 (18.475)	Long Bond:	Little long gilt future:
	$102\frac{11}{32}$	Dec $90\frac{25}{32}$ ($91\frac{1}{2}$)
	yield: 7.91%	

Chief price changes yesterday: Page 24

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Austria Sch22; Bahrain Din0.700; Bermuda $1.50; Belgium BFr60; Canada C$1.00; Cyprus C£0.80; Denmark DKr10.00; Egypt E£3.25; Finland Fmk7.00; France FFr7.00; Germany DM2.30; Greece Dr180; Hong Kong HK$12; Iceland IKR125; India Rup15; Indonesia Rp3,100; Ireland I£0.80; Israel NS3.60; Italy L2000; Japan Y600; Jordan Fils1.000; Kuwait Fils.500; Lebanon £L400; Luxembourg LFr60; Malaysia Rin4.25; Malta 40c; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.00; Norway Nkr10.00; Portugal Esc140; S.Arabia Ria7.00; Singapore S$4.10; Spain Pta145; Sri Lanka Rup30; Sweden SKr10.00; Switzerland SFr2.40; Taiwan NT$65; Thailand Bht50; Tunisia Din0.800; Turkey L1200; UAE Dh7.00; USA $1.00.

Weekend FT

AND THOSE WHO STAYED BEHIND
David Marsh visits two East German towns, Schwarzenberg and Dresden, and talks to the people there about their hopes and aspirations
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Richard Waters examines the high price of private share dealing
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How To Spend It
The need to be environment-friendly is taking over the house, says Lucia van der Post
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OVERSEAS NEWS

Senators' links with failed thrift to be investigated

By Peter Riddell, US Editor, in Washington

AN independent legal counsel is being appointed by the Senate Ethics Committee to investigate the involvement of five US senators with Mr Charles Keating, the head of the collapsed Lincoln Savings and Loan ('thrift').

This represents of a further intensification of the growing political scandal surrounding the collapse of Lincoln at a likely cost to taxpayers of \$2bn-\$2.5bn (£1.6bn). There have been allegations of attempts to hold up investigations against not only the five senators but also a leading accountancy firm.

Mr Keating donated or raised from others more than \$1.4m for the senators' campaigns and related causes, and the then chief federal regulator has alleged that the senators intervened improperly on behalf of Mr Keating in the agency's inquiries.

The outside counsel will conduct an initial review to see whether a violation of senate rules has occurred. The Federal Bureau of Investigation is also in the early stages of an inquiry. The senators are Dennis DeConcini and John McCain of Arizona, Alan Cranston of California, John Glenn of Ohio and Donald Riegle of Michigan. All but Mr McCain are Democrats and all deny any wrongdoing.

Federal regulators have taken control from Mr Keating and his associates of the Phoenician Resort, a hotel/golf complex, in Phoenix, Arizona. The regulators, accompanied by FBI agents, local police and private security guards, mounted a 1.30am raid, which one of Mr Keating's aides described as "the most despicable, outrageous, blatant act of terror we have ever seen by our US government".

The ethics committee is also expected to start investigations against Senator Alfonse D'Amato of New York over allegations that he used improper influence in federal housing programmes on behalf of political contributors and friends.

These developments have occurred as Congress has been in the final stages of approving a pay and ethics package which would also affect several thousand several federal and judicial employees. The Senate was yesterday considering a plan approved by the House late on Thursday which would increase the pay of a representative from \$89,500 to around \$125,000 by 1991.

But the plan would also ban speaking fees for congressmen, stop gifts over \$200 except from family, limit payments for travel from private sources, restrict outside earned income to 15 per cent of congressional pay, and impose tougher conditions on the use of campaign funds. Legislators would no longer be permitted to earn income as partners in law firms, consultants or directors of corporations.

An earlier congressional pay raise was withdrawn this year following a public outcry, and the revised package is being rushed through, partly to avoid a repetition of the opposition then. As a precaution, the leaders of both parties have pledged in writing to keep the issue out of next year's mid-term election campaigns.

Inquiry for S Africa 'hit squad'

By Our Foreign Staff

SOUTH African police said they would investigate allegations, published yesterday in a local newspaper, that a police hit squad had assassinated anti-government figures both within and outside the country.

The radical Afrikaans weekly, Vrye Weekblad, carried an extensive interview in yesterday's edition with a former security policeman who has since left South Africa.

The policeman, Capt Dirk Coetzee, said he commanded a police assassination squad between 1980 and 1982 and personally gave orders for the murder of anti-apartheid activist Griffiths Mxenge and other anti-government figures.

Some of Mr Coetzee's other allegations are based on hearsay rather than his direct involvement, but they will nevertheless reinforce the widely-held belief that the South African government either sanctions political assassinations or turns a blind eye to them. There have been around 60 cases inside the country over the past decade. The latest was in May this year, when David Webster, an anti-apartheid academic, was shot outside his Johannesburg home.

Mr Coetzee claimed to have played an indirect role in the killing of Ruth First, a leading academic and wife of Mr Joe Slovo, a leading member of the ANC. Mr Coetzee said he had stolen envelopes carrying the UN seal, one of which was used in the letter bomb that that killed Ms First in 1982.

Mr Coetzee also said he had been told that the explosives used in a bomb that damaged the London office of the African National Congress in 1982 had been carried in the South African embassy's diplomatic bag.

Britain's Labour Party yesterday called for the expulsion from Britain of South African diplomats. Mr Donald Anderson, Labour's foreign affairs spokesman, described the allegations as "damning", adding: "This is an outrageous use of diplomatic privilege for purposes of terrorism on British soil." A South African embassy official said the claim was "completely unfounded."

Brazil poll result still unclear after 48 hours

By Ivo Dawnay in Rio de Janeiro

ANGER was mounting yesterday as the outcome of the first round in Brazil's presidential election remained unclear a full 48 hours after polls closed.

While early returns showed that Mr Fernando Collor de Mello, a reformist right-winger, was through to the December 17 run-off, his two left-wing challengers are still running neck and neck.

Representatives of both Mr Luis Inacio Lula da Silva, the Workers' Party (PT) candidate, and Mr Leonel Brizola, a veteran populist, formally complained yesterday to the Supreme Electoral Tribunal (TSE) over the delays in gathering results.

In particular, these two candidates have protested against the fact that reporting by the Globo television network has been far ahead of the authorities.

By mid-afternoon, Globo had reported 69 per cent of the 82m votes cast, giving Mr Collor 15m votes, Mr Brizola 9.9m and Mr Lula 8.8m. At the same time, official TSE figures showed only 42 per cent counted, putting Mr Collor at 8.6m and Mr Lula at 5.1m – two per cent ahead of Mr Brizola's 4.4m.

What appears certain is that, while Mr Brizola is ahead, the bulk of his vote – centred in the south of the country – has now been counted. It remains to be seen whether Mr Lula will overtake his rival when ballots from the remoter regions of the north and the north-east are counted.

\$8m French fund for Africa

A new fund set up by the French government to guarantee loans to the African private industrial sector will be worth \$8m, it has been announced, Mark Huband writes from Abidjan.The creation of the fund was announced last week by the French Minister of Co-operation and Development, Mr Jacques Pelletier, in the Ivory Coast, though details were kept under wraps until Thursday.

China closes 1,000 businesses

China has closed 1,018 business enterprises run by government ministries or the Communist Party as part of its austerity drive, the People's Daily said yesterday, Reuter reports from Peking

It said this was the first group to be closed down in an effort to stop profiteering and malpractices, especially in distribution of scarce raw materials.

Corrupt officials have earned fortunes in the last five years from them, it said. More than half of the enterprises were involved in trading. Others were overlapping existing concerns, were badly run or had low efficiency.

The newspaper commended 10 departments that had taken the lead in closing their companies, including the Guangming Daily newspaper, which had shut down 24 of its 28 subsidiaries.

Japanese money supply up

Japan's money supply rose 9.6 per cent in October compared with the same month last year, according to the figures published by the Bank of Japan yesterday, Stefan Wagstyl reports from Tokyo.

The increase, the same as September's, reflects the central bank's success in bringing the rate below 10 per cent, to try to stem a rise in the rate of consumer and wholesale price increases.

Pamphlet to the unknown soldier

Pamphlets scattered over a remote jungle island in Indonesia saying the Second World War is over have failed to flush out an aged Japanese soldier rumoured to be holding out there, the Japanese Embassy said yesterday, Reuter reports from Jakarta.

Earlier this month, the embassy sent officials to the island of Morotai, 1,400 miles northeast of Jakarta, to check reports that an elderly man with a long white beard was roaming the jungle.

Guinness Peat offers air traffic control system

By Tim Dickson in Brussels

A \$2bn (£1.3bn) offer to buy the technology and equipment needed for a "proper" air traffic control system in Europe has been made by the chairman of the leading international aircraft leasing company, Guinness Peat Aviation.

Speaking at the Irish College in Louvain, Belgium, Mr Tony Ryan added his voice to those who say that "the present chaotic situation" can be resolved with a single ATC system to replace the existing 22 independent national systems.

"Should difficulties arise in raising the \$2bn necessary for new technology equipment," he added, "GPA would be prepared to put up the money to buy it and lease it to the appropriate authorities."

Mr Ryan's proposal comes at a time when national governments, airlines and the European Commission are all searching for new ways to ease air traffic congestion. "At any given time in Europe, some 100 aircraft are either sitting on the ground waiting for permission to take off or flying around in circles waiting for permission to land," he said. "A further 100 aircraft are flying wastefully on circuitous routes that can virtually double the length of some journeys."

Mr Ryan said the cost was "quite staggering", amounting to \$4bn annually or 8 per cent of gross European airline revenues.

British journalist dies after being shot in El Salvador

MR David Blundy, the Washington reporter for the British newspaper, the Sunday Correspondent, died yesterday in San Salvador, after being caught in crossfire, Tim Coone in San Salvador and Lionel Barber in Washington write.

The incident happened early yesterday morning, in the northern suburb of Mejicanos, when a group of foreign journalists went to see the fighting that has been taking place in the northern suburbs between left-wing guerrillas and government troops.

Mr Blundy, the father of two children, was wounded with a single rifle shot in the lungs and spine. He was rushed to the Rosales general hospital, where he was operated upon but died some 3½ hours later, apparently from a heart attack. Mr Blundy is the fifth journalist to die in El Salvador this year, four others having been shot during the elections last March.

He was a reporter who consciously put himself in the front line. A man of great energy and resourcefulness, he believed it was the reporter's duty to deliver a first-hand account of events, no matter how dangerous the location.

His restless nature would usually lead him to the war zone, but he also wrote with sensitivity about the US, where he worked first for the Sunday Times and then as Washington reporter for the Sunday Telegraph and, last, the Sunday Correspondent.

Rebels launch attack from underground

Tim Coone on the FMLN offensive which has caught the government unawares

THIS week's request by El Salvador for teargas supplies from the US is a very revealing clue as to why it's government is still reeling from the FMLN guerrillas' nationwide offensive.

President Alfredo Cristiani said in a press conference on Thursday that despite six days of fighting by the left-wing guerrillas for control of the capital's northern and eastern suburbs, the only military assistance sought from the US was teargas supplies.

Intense day-and-night bombardments and strafings of the guerrilla strongholds in the working-class neighbourhoods of the capital, combined with counter-attacks by troops and armoured vehicles, have failed to dislodge either the guerrillas or the majority of the civilian population who live in the occupied suburbs. So why the request for teargas? The reason is sewers and tunnels.

As in the Vietnam war, the guerrillas have been able to minimise the effects of the superior firepower of their opponents by, literally, moving underground. As government counter-attacks have advanced into the suburbs, troops have reportedly found guerrillas suddenly appearing out of the ground behind them. Tunnels have been discovered that link houses to the sewers.

An FMLN guerrilla guards the entrance to a guerrilla-held neighbourhood in San Salvador.

Even an underground medical post has been found in one northern suburb. As helicopters rocketed and strafed the suburb of Zacomil on Thursday night, the guerrilla radio station Radio Venceremos reported their local field commander saying: "We are fine and we have two companies of the army cut off and surrounded." Teargas might help the army flush the guerrillas out of their tunnels.

For the first time since the guerrilla offensive began a week ago, the Government has started admitting that not all is going in its favour. General Rene Emilio Ponce, the armed forces chief-of-staff, appeared on television on Thursday saying that of the fighting taking place throughout the country: "The biggest problem we have is in San Salvador . . . problems also continue in San Miguel and Usulutan." These are important market towns to the east of the capital.

Gen Ponce admitted to government losses of 170 dead and 251 wounded since the offensive began last Saturday.

He claimed the guerrillas had lost 651 dead and 491 wounded, but at the same time said that only 327 rifles had been captured by government troops. Military experts say weapons seizures would normally be roughly of the same order as the casualty figures.

Independent estimates suggest the FMLN has thrown as many as 15,000 troops into its nationwide offensive. The armed forces have relied heavily on air support for their counter-attacks, but so far have met with little success. Mr Cristiani has ruled out an immediate ceasefire as "allowing the guerrillas to consolidate their positions".

A right-wing backlash to the FMLN offensive suggests that sectors of the armed forces are meanwhile taking the law into their hands. The murder of six Jesuit priests on Friday from the Central American University is being attributed to a right-wing death squad linked to the armed forces. One Western diplomat said: "I am beginning to question to what extent Cristiani is in control. I am receiving unconfirmed reports of other assassinations."

Mr Cristiani described Father Ignacio Ellacuria, the rector of UCA and one of the six murdered priests, as "the most constructive opponent the government had".

The priests' murder is a symbol of the political polarisation and silencing of reason that is taking place in the current violence in El Salvador. It seems likely that more tears will be shed in the coming weeks, and not just because of new supplies of teargas.

OECD sees good prospects for growth

By George Graham in Paris

PROSPECTS for economic growth in the industrialised world over the next two years are favourable, according to the Organisation for Economic Co-operation and Development (OECD).

Output in the OECD area should continue to grow at around 3 per cent a year, with inflation at around 4½ per cent, Mr Michael Boskin, chairman of the Paris-based organisation's economic policy committee, said yesterday.

But Mr Boskin warned that unemployment was unlikely to decline, and that there was little prospect in the short term of reductions in the US trade deficit or the Japanese or West German trade surpluses. Current account deficits in some smaller countries, too, might soon become "uncomfortably large".

Over the last year, OECD economists have become more concerned about the possibility of a slowdown in growth, Mr Boskin said, and in some countries, notably Canada and the UK, growth was likely to be much more sluggish than the OECD average.

"We must not allow inflation to accelerate because that would surely lead to pressures that later on might cause a recession," Mr Boskin warned.

He added that there was room for a great deal of improvement in the area of structural reform, and all countries must press forward with the task of eliminating policies that distort the working of their economies, especially industrial subsidies.

The OECD committee has made a particular effort to assess structural reform, and the organisation is working on methods of measuring progress in this field by its 24 member countries.

France's August trade deficit sharply lower

By William Dawkins in Paris

THE French trade balance, for long a dark spot on the country's otherwise healthy economy, plunged to a seasonally corrected deficit of FFr9.3bn (£943m) in August, the worst monthly total for seven years.

The figure, 24 per cent up on the July deficit of FFr7.5bn, principally reflects the continuing surge in imports, up from the previous month's FFr91.5bn to a record FFr103bn, said the French customs office yesterday. French exports, meanwhile, rose only slightly, from FFr91.5bn to FFr93.6bn, a slower growth rate than in the first half of the year, and further evidence for concerns over the competitivity of French industrial goods in foreign markets.

This underpins recent estimates by Mr Pierre Bérégovoy, the Finance Minister, that France's trade account would end up between FFr40bn and FFr50bn in the red this year, as against FFr33bn in 1988.

Yesterday's poor results, delayed by a strike at the Finance Ministry, brings to FFr34bn the trade deficit for the first eight months of 1989, a significant worsening in the FFr21.1bn deficit for the same period of last year. The monthly figure is the highest since September 1982.

France's own economic growth is part of the reason for the rise in imports, a reflection of faster industrial investment, said finance officials. However, consumer spending has also been growing fast through the summer, so that imports of consumer goods rose from FFr16.2bn in July to FFr17.5bn in August.

France's trade surplus with Britain fell sharply from a monthly average of FFr2bn during the first six months to FFr800m in August.

Hong Kong warning on boat people

By Robert Mauthner, Diplomatic Correspondent

SIR David Wilson, the Governor of Hong Kong, warned in London yesterday that Hong Kong would not be able to cope with a renewed influx of Vietnamese boat-people if arrangements for the repatriation of those already in the colony had not been made by next March at the latest.

The governor, in London for his first contact with Mr Douglas Hurd, the new Foreign Secretary, confirmed that the British and Hong Kong governments were sticking to their policy that those Vietnamese who were not genuine refugees would have to be sent home. Mr Hurd is to visit Hong Kong in January, but no firm dates have been set.

Some 35,000 Vietnamese had arrived in Hong Kong from Vietnam this year and a similar number were expected next year, the governor said. Proportionately, this was equivalent to 500,000 immigrants a year arriving in Britain.

So far, only about 500 Vietnamese had agreed to return home and the remainder were languishing in camps in Hong Kong. "You simply cannot expect the majority of these people voluntarily to go back to Vietnam, so you have got to find some other way of handling the problem," Sir David said.

Illegal immigrants the world over were sent back to their own countries. "If there are people unwilling to go back we do sometimes have to ensure that they do go back. I hope this will not be in any dramatic fashion," Sir David said, in answer to a question suggesting that force might have to be used.

Sir David said he was pressing for a decision to be made on repatriation this year, if at all possible. But that still depended on an agreement with the Vietnamese government.

Nor was it yet clear when the British government would announce its promised "nationality package", which would make clear what categories and numbers of Hong Kong British passport holders would be given the right of abode in Britain.

Pact will end Malaysian insurgency

By Lim Siong Hoon in Kuala Lumpur

THE Malaysian Government and the Communist Party of Malaya (CPM) have agreed on a negotiated settlement to end 41 years of armed insurrection. There is to be a formal tripartite agreement, possibly signed this month or next by the Malaysian Government, the CPM, and Thailand.

The agreement will close the books, at last, on a post-war insurgency which, during its most intense periods before Malayan independence, was fought with the help of British and Australian troops.

The Communists, who began their quest with material support from China, fought on a Marxist-Leninist ideological platform tinged with Maoist thoughts.

But with their cause overshadowed by Malaysia's growing prosperity, they have during the last 20 years been weakened in resolve and in size, and have split into various factions.

Numbering several thousand, they have largely been driven into the jungles at the northern border with Thailand and Malaysia maintains numerous jungle batteries to guard against incursions into the Kedah and Kelantan states from Thailand's Yala Province.

Skirmishes along the border have been an irritant to relations between Thailand and Malaysia.

In 1987, the Thai Government offered amnesty to CPM members, about 600 of whom later surrendered in return for permanent settlement on Thai soil.

This year, a series of meetings was held in Thailand between members of the Thai and Malaysian governments, and the CPM, according to a Malaysian Government statement.

"Latest developments indicate that the possibility of ending the armed activities is bright," the statement says.

The Malaysian Government's willingness to negotiate a final settlement with the CPM is a radical departure from its past policy not to recognise the party.

In the event of an agreement, the Government wants to forbid residence in Malaysia by the Communists, many of whom had started fighting before independence, and probably have no Malaysian citizenship.

So the negotiated agreement appears to hinge in part on a written Thai promise permitting the insurgents to live permanently in Thailand.

Mindanao votes on 'more autonomy' plan

By Greg Hutchinson in Zamboanga

MINDANAO, the southern Philippines province torn by years of secessionist violence, votes tomorrow in a plebiscite on a plan for more political autonomy.

"Let the guns stay silent so that the people may vote freely and peacefully. We do not need any more martyrs," said President Corazon Aquino. If her plea is heeded, it will be a true break with violent tradition.

She was careful not to take sides on the merits of self-rule in her address in a dusty school yard on Basilan Island, some 15 miles off the Mindanao port of Zamboanga.

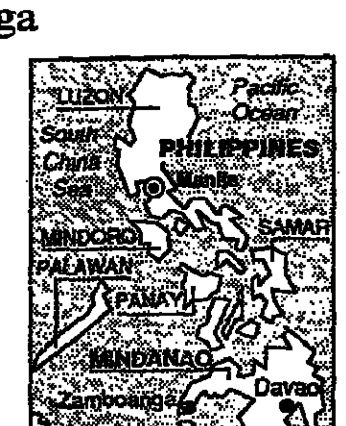
"Basilan was a battleground in the secessionist rebellion in the 1970s. A significant segment of the community has manifested in blood and tears its demands for greater control over its own affairs. Its sacrifice, by itself, has earned it the right to render judgment on the autonomy it is being offered," she said.

The President's arrival in one of the bastions of Moslem separatism coincided with the country's largest rebel group, the Moro National Liberation Front (MNLF), launching a concerted campaign of disruption of the plebiscite.

The military reported that in central Mindanao, at least one person was killed in the bombing of a town market; three provinces were blacked out when a power transmission tower was toppled; movement of people, including government forces, was curtailed when four towns were sealed off by MNLF rebels. MNLF sources claimed responsibility for all three incidents.

Elsewhere, fighting was reported on Jolo, birthplace of MNLF chairman Nur Misuari, and residents were evacuated after skirmishes between the military and rebels erupted on a small but heavily-populated island off Zamboanga.

Soldiers stake out most city intersections and some are posted outside Christian businesses. Others ride on public buses. Military and paramilitary checkpoints have been placed less than a mile apart



on main roads leading out of towns. Members of the armed forces now on Mindanao number 40,000, about twice the military's estimate of total Moslem rebel strength.

But any full-scale war is likely to be protracted, and bloody, like the earlier separatist war against troops of former President Ferdinand Marcos in the 1970s which cost some 50,000 lives and led to an exodus of tens of thousands of Moslems to nearby Sabah in Malaysia.

Muslimin Semma, a separatist leader, speaking in a central Mindanao safe house, said: "After Mrs Aquino signed the organic act (for autonomy), that sealed every possible avenue for a peaceful resolution of the problem".

Semma, who controls several thousand MNLF regulars in the provinces of Sultan Kudarat, Maguindanau and north Cotabato, added: "If there is no big scale fighting for now, it is only because we have made all the necessary preparations for the resumption of hostilities (and) we are still giving preference for peace".

Semma, who carries a Colt 38 and habitually waves a horse crop, denied such action might alienate his support. He maintained that the villagers would realise the MNLF was bent on improving their lot. His support appears to be still strong although it should be weak, given the economic prosperity fast coming to Mindanao, especially its cities.

Semma attributes his success against the odds to the fruits of development being spread inequitably. But there is another factor – and this lies in the nature of the rebel cause and its relationship with Islam and the rediscovery of the Moro, or Mindanao, people's identity.

Economic advancement will not sufficiently placate the determination of the people to regain the control of the land over which they reigned supreme, until a wave of Christian migration from the north earlier this century relegated them to a minority.

The proposed law, to be tested at the ballot box tomorrow, does not go far enough, the MNLF says. Most other rebels and many religious scholars agree. In their view, it fails to implement a 1976 pact signed by Manila and the MNLF. The Philippine government says its autonomy law substantially complies.

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OVERSEAS NEWS

Bonn-Bundesbank clash likely over exchange rate plan

By **David Goodhart** in Bonn

THE West German Government could be heading for a clash with the Bundesbank over plans artificially to support the East German-to-West German Mark exchange rate for East German visitors, instead of paying out DM100 (£35) in "welcome money" per visitor each year.

The private sector exchange rate has been 10:1 for most of the past week, but the continuing stream of East German visitors – 10m people have either visited West Germany or have visas to do so – is causing a further weakening of the East Mark, which in some places is now exchanging at 20:1.

Only yesterday, 500,000 East Germans crossed the inner-German border, creating traffic chaos at many cross-over points, with some traffic jams stretching back 80 kms.

Bonn has already set aside DM1bn for "welcome money" in next year's budget, but bankers fear that commitment to an artificial exchange rate of about 5:1 could cost anything up to DM20bn a year, and it would be be difficult to limit the supports planned to a certain sum for visitors alone.

On the other hand, allowing East Germans without access to D-Marks to take advantage of their new travel freedom is seen as a political imperative in Bonn, and a subsidised exchange rate instead of a straight gift is thought to be less demeaning for the East Germans.

Also, the higher cost of exchange rate subsidy may not create a public debt next year much higher than originally expected.

Because of the buoyancy of tax income, it was yesterday announced that new public debt for 1990 will be DM27bn, nearly DM7bn less than expected, despite a 3.4 per cent rise in Federal spending to DM300.1bn.

Members of the Bundestag budget committee also said yesterday that at least DM100m a year which has been spent buying political prisoners out of East German jails will be saved as a result of reform.

West German bankers believe that for the time being, the two German currencies will simply co-exist and the black market will determine the exchange rate.

A currency reform is not expected until the GDR economy is stronger, and convertibility would be a final step several years later.

Any suggestion of currency reform now could create a huge currency outflow from the "monetary overhang" of unused savings in East German banks.

Mr Klaus Töpfer, West German Environment Minister, was responsible for the other major development in East-West German relations yesterday.

He suggested a standing commission on the environment, to replace the existing body which meets only occasionally, and also said that GDR nuclear experts could sit on Bonn's nuclear reactor safety committee.

Following the recent GDR request for 11 more joint environmental projects, on top of the six already agreed earlier this year, Bonn will be paying out a total of DM660m to improve the GDR's badly-polluted environment.

Delors suggests crisis loan to Hungary

By **David Buchan** in Budapest

THE European Community should be ready to provide Hungary with a big bridging loan on the basis of its Government's economic reform commitments, Mr Jacques Delors, the Commission president, suggested here yesterday.

On the first leg of their pre-Paris summit swing through Eastern Europe, Mr Delors and Mr Roland Dumas, the French Foreign Minister, also hinted that countries like Hungary could have association agreements with the EC, though not become full members, without necessarily first leaving the Warsaw Pact.

Hungary is due to hold free elections next year, and Mr Delors said that once its system was democratic and free-market it would be eligible for membership, and while waiting for a conclusion of the Vienna disarmament talks, which might accelerate eventual dissolution of military alliances, "we will try to reconcile these two elements".

Before flying onto Warsaw last night, Mr Dumas and Mr Delors held a long series of talks with government and opposition leaders, dominated by the link between Western economic aid and internal Hungarian political reform.

Mr Delors said a bridging loan to staunch the draining of hard currency reserves caused by Hungarians taking money out of the country could be made in the context of an agreed or parallel IMF programme. Belgium, which represents Hungary at the IMF, has proposed that the group of 24 industrialised states pledge to help Hungary and Poland with a $1bn loan.

Excess spoiled millionaires' party

Judy Dempsey reports from Sofia on downfall of the Zhivkov clan

THE ink was hardly dry in the Bulgarian journal, Obstevstvo i Pravo, Number 8, when the authorities became frightened. For in last month's issue was an article which, without naming names, said Bulgaria had 1,500 millionaires.

People started to grumble. They began to ask questions. Who were these people with so much money at a time when ordinary Bulgarians could not even buy cheese or matches? The magazine was quickly withdrawn, the provocative article removed, and the censured journal again distributed.

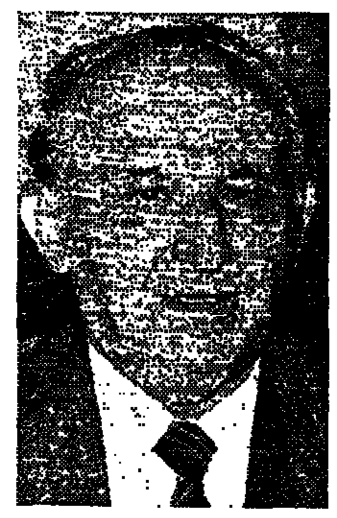
Those 1,500 millionaires belong to the élite – the "Zhivkov clan" – who this week were ousted from power. After 35 years' silence, the public are finally having their worst suspicions confirmed: that the leadership was a veritable den of corruption.

"For the past few years, Bulgaria was like a replay of the last years of the Brezhnev régime: atrophy, nepotism and patronage," commented one journalist

Top on the list to be singled out for abuse of power are Mr Todor Zhivkov and his 37-year-old son, Vladimir. If the Bulgarians thought that the late Tsar Boris of Bulgaria was simply lavish in having four residences, then Mr Zhivkov was extravagant to the extreme with his 30 residences, equipped with livery, saunas, women and food imported from the West.

Access by the public was not permitted. The old royal grounds at Euxinograd on the Black Sea, once open to Bulgarians, were closed by the Zhivkovs for their own personal use.

"They were in need of nothing," one journalist said. "They had no idea how we lived. They were the Bulgarian feudal lords who ruled over us for the past three decades."



Zhivkov: lavish lifestyle

Mladenov: new party leader

Vladimir Zhivkov, known for his drinking habits, his appalling treatment of women and his excessive gambling, found the life-style somewhat too tempting to resist. But it was costly for the state coffers.

Bulgarians now want to know whatever became of the $2m or so which he lost at the roulette tables, and where the money came from in the first place.

The rumours surrounding the death last year of Tatiana Titianova, the television announcer, shortly after a visit from Vladimir, have to be put to rest as well.

Then there are questions being asked about the Lyudmila Foundation. Lyudmila, the gifted daughter of Zhivkov, who died in 1981, at the age of 39, in circumstances not entirely clear, was responsible for culture.

With her passion for Eastern mysticism and her enthusiasm for Western rationalism, she tried to improve the atmosphere for the artistic and literary establishment. On her death, the foundation was set up.

Journalists in Sofia now say that since then, money lodged in Swiss bank accounts has been squandered "or disappeared", while valuable cultural artefacts have been smuggled out of the country.

If these cases of corruption will be subject to scrutiny under the new leadership, so too will the country's diplomatic corps, whose reputation for running up expenses is well known.

One senior diplomat is said to be in debt to the tune of several hundred thousand dollars. Bulgaria's foreign trade organisations, which Mr Mikhail Gorbachev, the Soviet leader, soon quickly discovered amounted to money-laundering operations, will also be thoroughly investigated.

But in the past, nobody in the leadership, let alone the media or the intelligentsia, could dare tackle such issues. Writers such as Georgi Markov, murdered in London by the Bulgarian secret service, paid heavily for criticising the regime. Others were either bought off by the leadership or else remained silent. Until, that is, the advent of Mr Gorbachev.

But even then, when the journalist, Mr Georgi Tambitiuv, imbued with the spirit of glasnost, started investigating corruption two years ago, he was sacked from his job and expelled from the party. Earlier this week, he was rehabilitated by Mr Petar Mladenov, the new party leader.

At the same time, Mr Mladenov this week succeeded in sacking Mr Milko Balev, 69, probably the most resented of all the politburo members. And not just because he supported the promotion of Vladimir to the central committee last August when he took over its cultural department. Or because Mr Balev continually conspired against the Foreign Ministry; or because he was manoeuvring eventually to succeed Mr Zhivkov as party leader.

It was also because of Mr Balev's lifestyle. At his disposal, he had young teenage girls. "In terms of morals, he was one of the worst in the leadership," commented one journalist. But the corruption went much deeper.

Yesterday, during a session of the National Assembly, so long a docile, rubber-stamp servant of the party, a few deputies found their voices.

One of these was Mr Slavcho Trensky, who had served in the Partisans and who was one of the country's first defence ministers after the war. Standing under the Bulgarian coat of arms, a giant lion with a star above its head, Mr Trensky, stood at the rostrum. And without fear, listed a catalogue of abuses by the Zhivkov leadership. Bulgaria, he concluded, "had become a hunting reserve for the President".

Fewer in E German cabinet team

By **David Marsh** in Bonn

THE new cabinet presented yesterday by Mr Hans Modrow, the East German Prime Minister, reveals a sharp fall in numbers compared with the departed old guard, and a sizeable shift towards the coalition partners of the Socialist Unity Party (SED).

But none of the new opposition groupings which have sprung to prominence over the past month has places in the new line-up. The 44-member government of Mr Willi Stoph, one of the many septuagenarian Communists who have departed over the past fortnight, has been slimmed to 28 members. Of these, 17 are from the SED, including Mr Modrow.

Among the so-called "block parties", which have until now been docile allies of the dominant SED, the Democratic Liberals put up four ministers, with the Christian Democrats holding three posts and the Farmers' and National Democrat parties two each.

Nine members of the Stoph government remain in power. Best-known are Mr Oskar Fischer, Foreign Minister, and Mr Gerhard Beil, Foreign Trade Minister, both from the SED. Ms Christa Luft, an economic expert from the SED, has been brought in as one of Mr Modrow's three deputies – one of three women in the Modrow cabinet.

The other two deputy prime ministers are Mr Peter Moreth (Liberal) and Mr Lothar de Maziere (Christian Democrat), who also holds the portfolio for religious affairs. Mr Gerhard Baumgärtel, an architect, has been named in charge of construction. Mr Lothar Ahrendt, SED, is Interior Minister.

'Time to scrap' Jackson-Vanik rule

By **John Parker** in Moscow

NO logical justification existed for the US to keep the Jackson-Vanik amendment, a congressional law that bans trade concessions to the Soviet Union while Moscow maintains its restrictive emigration laws, Mr Gennady Gerasimov, senior Soviet Foreign Ministry spokesman, said yesterday.

Under a new draft law passed in its first reading by the Supreme Soviet this week, most limits on emigration will be scrapped.

Echoing similar remarks by Soviet officials in New York, Mr Gerasimov argued: "If the Americans want to be logical, they should get rid of Jackson-Vanik".

Mr Robert Mosbacher, US Secretary of Commerce, has suggested that if a more liberal law on travel is passed, the Jackson-Vanik amendment could be suspended for a year. The amendment stands in the way of the Soviet Union being granted most-favoured nation status by the US.

Soviet citizens travelling to the West must now get an invitation from someone in the host country. The draft law in the Supreme Soviet would dispense with this requirement. It would also guarantee them an international passport valid for five years.

Until recently, passports were valid for only one trip abroad and could be refused at will by the bureaucracy.

On November 1, the Soviet Union relaxed its rules to make it easier to get passports. During the past year, it has streamlined its bureaucracy and has virtually stopped refusing applicants for visas.

In the first six months of this year, 1.7m people applied to travel abroad, three times in the number who travelled in 1987.

Only 0.15 per cent of applicants were refused.

Shortages of flight and train tickets, and difficulties in obtaining foreign currency, have replaced bureaucracy as the main obstacles to travel.

The number of emigrants rose from 30,000 in 1987 to 108,000 in 1988. This year, said Mr Yuri Kashlev, a foreign ministry official, the number is likely to reach 200,000.

Czech ideology chief in Moscow

CZECHOSLOVAKIA'S Communist Party ideology chief, Mr Jan Fojtik, was holding talks with senior Soviet officials yesterday, amid reports of differences between the two allies on the pace of reform, **Reuter reports from Moscow.**

An official at the Czechoslovak embassy said Mr Fojtik was meeting officials at the Institute of Marxism-Leninism, but gave no further details.

The agenda for his one-day stay included talks with his Soviet opposite number, Mr Vadim Medvedev.

Government spokesmen in Prague denied on Thursday a report in the New York Times that Moscow had sent messages to the Czechoslovak authorities urging them to speed up reforms.

The Czechoslovak leadership followed East Germany's example this week by easing travel for its citizens to the West, but Prague has been reticent about many of the political reforms in the Soviet Union.

The Kremlin has repeatedly said since 1985 that it has no intention of dictating policy to its East European allies.

It has backed reforms undertaken in East Germany, Poland and Hungary provided the countries remain within the Warsaw Pact military alliance.

Soviet miners' talks deadlocked

By **John Parker** in Moscow

TALKS between disgruntled Soviet coal miners and the prime minister, Mr Nikolai Ryzhkov, were deadlocked last night as fears grew that the damaging national coal strike of the summer might be renewed in mid-winter.

Miners' leaders from all over the Soviet Union had been summoned to Moscow for emergency talks with the prime minister. Twelve of the 13 mines in Vorkuta, a mining region inside the Arctic Circle, remained on strike in protest at the slow implementation of the concessions wrung from the government during the summer strike.

Mr Ryzhkov said that most of the miners' demands on higher pensions, longer holidays and increased overtime pay had already been met.

New houses, lack of which is one of the main grievances of the miners, were being built. He admitted that agreements to instal new mining equipment and other modernisation plans were falling behind schedule.

But he appealed to the miners to return to work, warning that "if we do not start working more effectively, all the good wishes and decisions will be empty words". But there was no hint of concessions from the miners' side.

A report on the meeting from the Soviet news agency Tass spoke of "participants in the meeting...(talking) only of those provisions which have not been fulfilled or about which there were delays".

The miners of Vorkuta have put forward further demands, including the punishment of officials who have delayed implementing the agreement. Miners were due to leave Moscow today for Western Siberia to discuss setting up a breakaway miners' union – a move which would threaten to widen the strike.

In the largest mining region, the Donbas, miners have replaced the existing coal-mining organisation with a locally-controlled one. This was one of the concessions agreed during the summer strike.

Deal close on power station coal supply

By Maurice Samuelson

A THREE-YEAR agreement on coal supplies to Britain's power stations was being hammered out by the Government last night in a determined bid to prevent further slippage in its electricity privatisation timetable.

It will involve a far less drastic reduction in British Coal's overall deliveries to power stations than originally proposed by the electricity generators. It will sharply narrow the gap between its average prices and those on the world market.

In the first two years of the deal, 1990-91 and 1991-92, the electricity companies, National Power and PowerGen, would take a combined minimum of 70m tonnes.

That is the minimum they take under the current joint understanding between the two industries.

In the third year, their contracted tonnage would fall to 65m tonnes, giving the flexibility to use more natural gas and imported coal.

Prudential Property man quits

By Paul Cheeseright, Property Correspondent

MR JOE BRADLEY, managing director of Prudential Property Services, the the biggest – but loss-making – chain of estate agents in Britain, is resigning after disagreements inside Prudential about the running of the business.

The move underlined the tension in the estate agency business following the sharp fall in activity caused by high interest rates.

The Prudential, like other insurance and banking groups, moved into estate agency and spent £223m creating a chain of more than 800 branches.

But Prudential Property Services lost £24.7m, including write-offs on new technology, in the first half of this year. It is unlikely to return to profit during the second half.

In recent months there has been some severe pruning, including the closure of 100 branches, a 10 per cent reduction in staff numbers and a reorganisation of agents' commissions. It appears to have been arguments about the appropriateness of these measures that led to Mr Bradley's departure.

Mr Bradley left shortly after the arrival of Coopers & Lybrand, consultants called in by Prudential

Prudential stressed its commitment to the development of the agency business

The financial houses generally have found it difficult to weld together disparate firms of estate agents, often taken over at high prices, into coherent businesses.

Embarrassment about Mr Bradley's departure had a precursor when Nationwide Anglia, the building society, lost its two top estate agency executives last year.

Channel tunnel project in deep water

Andrew Taylor and David Lascelles look at the uncertainties dogging Eurotunnel

IT HAS been a rollercoaster of a week on the London and Paris stock markets for the shares of Eurotunnel, the Anglo-French Channel tunnel group, as rumours spread that the project was in danger of collapse.

By Wednesday night the shares had fallen 82p in three days to 443p, the lowest price for 11 months. By last night the shares had recovered 55p to stand at 498p.

The fall in the share price was prompted by continuing rumours about the future of the project and the possible resignation or dismissal of the men building the tunnel.

Among the rumours this week has been speculation that:

● British and French contractors might be replaced by Japanese or Taiwanese construction groups;

● Bechtel, the large US construction group might take over the building contract;

● Mr Alastair Morton and Mr André Bénard, Eurotunnel's British and French joint chairmen, were about to resign;

● The cost of providing windbreaks to prevent high-sided railway wagons from being blown over in gusting winds at the tunnel mouth near the Kent coast was jeoparding the project.

Mr Morton, in his forthright manner, described the rumours as "balderdash strongly flavoured with horse manure."

The project none the less is in deep trouble. Eurotunnel and its contractors remain locked in disagreement over how much construction costs have risen. Costs are expected

André Bénard: facing tough negotiations

to be at least £2bn, more than was originally forecast; contractors say the increase is likely to be even higher and that Eurotunnel should foot the bill.

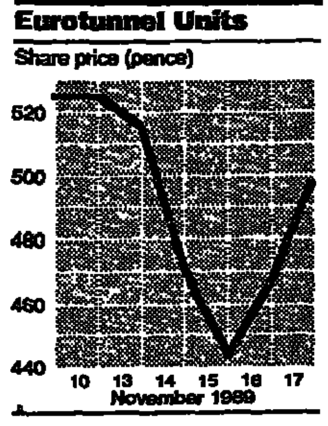
The extra money needed to complete the project cannot be raised until the two sides can agree. Meanwhile Eurotunnel only has enough money to continue work until Christmas. It says it needs to raise a further £1.2bn to £1.6bn, of which about a quarter could be raised through a rights issue.

The extra money would be in addition to the £6bn in loans and equity raised by Eurotunnel in 1986 and 1987.

The latest slide in the price of the shares, which were trading at just under £11 four months ago, appears to have been prompted by a false rumour that Bouygues, one of the French contractors building the tunnel, was about to pull out of the project.

The uncertainty over how

Eurotunnel Units



negotiations are proceeding between Eurotunnel and the contractors enables rumours like that to gather credence.

Investors are worried that the 200 international banks that have agreed to provide Eurotunnel with £5bn of loans and standby credits will lose patience if the arguments over costs cannot be settled quickly.

Under the loan agreement, the banks could take over the project if agreement cannot be reached with the contractors. They might even decide to abandon it altogether. The banks have lent only £750m so far, and the highest single loan is less than £15m. It would be much cheaper to pull out now than wait until large sums of money have been committed.

There are good reasons however why the banks are unlikely to abandon the project or sack the contractors.

● Abandoning the project would involve a considerable loss of prestige for the banks.

Alastair Morton: denied resignation rumours

It would also make it harder to finance future private-sector infrastructure projects.

● British and French banks would be likely to face heavy political pressure if they decided to pull out. That would be particularly so in France, where the Government traditionally has intervened in French industrial and banking affairs and is the largest shareholder in Crédit Lyonnais, one of the lead banks in the lending consortium.

● If the banks sacked the British and French contractors there would be a long delay before a new contract could be negotiated with a different team of builders. These would be starting from scratch and would need time to take stock of the job and install a new management team. Even then there would be no guarantee that Bechtel or Japanese contractors could do the job any cheaper.

Transmanche, a consortium of five British and five French construction companies, which two years ago were contracted to design and build the project, cannot afford to push the banks too hard.

From the banks' point of view, a delay at this stage would be less costly than later in the project when more money would have been committed and the interest bill would be much higher. They still need to be reassured that the contractors are capable of completing the project within an agreed budget.

Some banks are more concerned about the uncertainty than the actual level of costs.

The contractors would also be very reluctant to walk away from the project, an action that would be tantamount to an admission that a group of the largest construction companies in Britain and France was unable to deliver one of the world's greatest engineering projects. They might also be sued by the banks.

Transmanche, Eurotunnel and the banks all therefore have good reasons for wanting to agree a compromise. Negotiations between Eurotunnel and the contractors have been tough.

Neither side is likely to make much movement until the independent consultants appointed to the project under the Anglo-French Channel tunnel treaty make their report on the latest cost estimates just before Christmas.

The negotiations seem likely to carry over into the start of next year when the issue must be resolved one way or another.

Alan Harper

Andrew Knight: no immediate plans for the future

Knight stands down as deputy chairman of Daily Telegraph

By Raymond Snoddy

MR ANDREW KNIGHT, until recently chief executive of The Daily Telegraph, has decided to give up the post of deputy chairman of the company, almost before he has taken on the role.

Mr Knight, who was editor of The Economist for more than 11 years, was engaged at the beginning of 1986 to turn round the Daily and Sunday Telegraphs after their takeover by Mr Conrad Black, the Canadian businessman.

Mr Knight, 50, has been in day-to-day control of the company as losses have been transformed to expected pre-tax profits of £40m for this year.

In September it was announced that Mr Black was becoming executive chairman of the company and moving to London for about seven months a year.

At the time, Mr Knight, who was to join Sir Frank Rogers as deputy chairman of The Daily Telegraph, said of Conrad Black: "We have created a kingdom – now it's time the king took over."

In the past few weeks, Mr Knight asked to be released from his promise to be deputy chairman. The parting was friendly – Mr Knight, who has Daily Telegraph share options worth in the region of £14m pre-tax, decided to make a clear break.

Copies of an exchange of letters between Mr Knight and Mr Black have been circulated to The Daily Telegraph board.

Mr Knight made clear that he had never been comfortable with either the designation of deputy chairman or the job and that ultimately both men would have been frustrated by the ambiguity of the role.

After paying tribute to Mr Knight's achievements at The Daily Telegraph, Mr Black said: "Your wishes must be acceded to."

Mr Knight's final months at The Daily Telegraph were controversial because of the reorganisation of both papers towards seven-day operation and the introduction of five-day working for all journalists.

The former chief executive has made clear that he believes the present industrial relations traumas were inevitable and that the benefits would be seen within two or three years.

Mr Knight has no immediate plans for his future and it is not clear whether he even wants to stay in the newspaper industry.

A year ago he was approached by Mr Rupert Murdoch, chief executive of News International, about the possibility of joining that company – presumably to run Mr Murdoch's five British national newspapers. He declined the offer.

Thatcher pep visit to heart of valleys

By Anthony Moreton, Welsh Correspondent

MRS Margaret Thatcher, the Prime Minister, flew into unfamiliar territory yesterday when she paid a day-long visit to South Wales – her visits to the principality since entering No 10 a decade ago can be counted on the fingers of her hands.

A helicopter deposited her in the heart of the Rhondda Valley on the coldest, greyest day of winter so far. There, the assembled councillors – Labour to a man and woman – heard her pour fulsome praise on Dr Gwyn Jones, chairman of the Welsh Development Agency, for the way his agency was helping to bring new industrial life to places like the Rhondda.

However, she resolutely resisted considerable prompting from journalists to praise Mr Peter Walker, the Welsh Secretary, who was sitting alongside her and who had made it possible for the agency to help rebuild the economy.

She went on to a round of visits in Cardiff – to give a pep talk to the troops of Central Office; to ASW, a steel company bought out by its management, and Companies House, representing the relocated Civil Service.

She ended her day in Newport with National Panasonic, the Japanese company that represented overseas investment in Wales.

The only sign of opposition was outside Companies House, where a small crowd carrying Socialist Worker placards greeted her noisily. Two were taken away by police after throwing cans at her cavalcade.

Throughout the day, Mr Walker, the only unreconstructed wet in the Cabinet, followed at her heels, a smile constantly on his face for the innumerable photo opportunities that were the object of the day.

By the end of the day, he was rewarded when the Prime Minister relented, commenting that Wales had been fortunate in its last two Secretaries of State.

McDonald's tests market for salads

By David Churchill, Leisure Industries Correspondent

McDONALD'S, the US-owned fast food chain, is to test-market ready-prepared salads to sell alongside its traditional hamburgers in some of its outlets.

The move is aimed at capitalising on the consumer trend towards more healthy eating and is part of McDonald's defence against the promised onslaught from Burger King, the hamburger chain owned by Grand Metropolitan, which last summer acquired the Wimpy hamburger chain and other restaurants from United Biscuits in a deal worth £180m.

GrandMet aims to create an effective competitor to McDonald's in the UK and is understood to be planning to convert about 130 of the 380 Wimpy outlets into Burger Kings over the next year. GrandMet has only 30 Burger King outlets in the UK, compared with just over 5,000 in the US.

McDonald's, the world's largest fast-food operation with more than 10,000 outlets in 50 countries, will have some 340 outlets in the UK by the end of next month.

Mr David Richards, Burger King's marketing director in the UK, was not impressed by McDonald's salad experiment. He said: "We don't really think the British consumer wants to buy salads from predominantly burger chains."

In the US, Burger King and McDonald's sell salads in some outlets, reflecting the greater health awareness of US consumers. There are signs that British consumers are also becoming more demanding.

Ms Fiona Heakin, marketing manager of the Fast Food Fair which was held in Brighton this week, said yesterday that suppliers of more healthy and vegetarian products had reported significant sales increases in the past year.

Boston sold to private joint venture

By Kevin Brown, Transport Correspondent

THE SMALL port of Boston, in Lincolnshire, yesterday became the first publicly owned port sold to the private sector since the Government urged local authorities to investigate the benefits of privatisation 18 months ago.

The sale of the port to A. F. Budge and John Sutcliffe (Holdings) was confirmed by the local council after a final debate on five private-sector bids.

The council said the joint venture offer was chosen because of Sutcliffe's 127 years of experience in the shipping industry, combined with its strong local links and the engineering skills and financial strength of A. F. Budge.

The privatisation process was set in motion in May 1988 by Mr Paul Channon, then Transport Secretary, who said it was high time for publicly owned ports to take a close look at the benefits of privatisation.

Up to yesterday, there were 74 publicly owned ports – 32 owned by municipalities, 39 trust ports set up by individual acts of Parliament, and three owned by the Government.

The Government has been keen to see privatisation of the large ports such as Dover and London, which officials believe have the greatest requirement for easier access to private capital.

Both Dover and Tilbury, which include parts of the Port of London's downriver container, timber and grain division, are known to be considering privatisation. Tilbury was recently freed from severe labour constraints by the abolition of the National Dock Labour Scheme.

Ministers have been impressed by the success of ports privatised since 1979, particularly the 19 former state-owned ports owned by Associated British Ports, formerly the British Transport Docks Board. Sealink, a subsidiary of the Sea Containers group, also runs six ports that were formerly owned by British Rail.

Two FT writers win awards

TWO Financial Times writers have won awards for journalism presented by the International Building Press. Mr Paul Cheeseright was named property correspondent of the year and Mr Andrew Taylor business and financial journalist of the year.

Scottish property sell-off

By Hazel Duffy

THE GOVERNMENT gave the green light yesterday for one of the largest industrial property sales. Mr Ian Lang, the Scottish Industry Minister, confirmed in Glasgow that most of the Scottish Development Agency's property portfolio would be sold to the private sector.

The largest part of the property, mostly in the Strathclyde and Dundee areas, is to be sold in two lots – one a little more than 8m sq ft, the other of about 2m sq ft.

By parcelling them in that way, the Government will avoid a break-up of the assets and Opposition taunts that a regional commitment to Scotland was being sacrificed in favour of privatisation.

The property sales will be handled by Herring Son & Daw. Interested investors will be invited to go on to a list of tenderers, which will number not more than six. Some sort of commitment to keep the property in single ownership will be looked for. The book valuation of these properties at the end of March 1989 was more than £100m. Total assets were valued at over £183m.

Holmes à Court studying New Statesman accounts

By Raymond Snoddy

MR Robert Holmes à Court, the international businessman, has never been a reader of the New Statesman and Society, the left-of-centre political weekly that numbers George Bernard Shaw among its founders.

"I don't think I am a socialist," adds Mr Holmes à Court – whose multi-million-dollar interests have ranged from property to minerals – with a touch of deliberate understatement.

But he does want to buy the New Statesman as long as close examination of the books convinces him it is a financially sound investment.

"My interest in the New Statesman is not based on any personal political ideology. It a well known name and title," says Mr Holmes à Court, who is a British citizen born in South Africa.

Mr Holmes à Court is considering making the New Statesman purchase in a deal worth between £2m and £3m through his private company Heytesbury. In spite of his lack of left-wing credentials, he believes it is a legitimate concept for him to own a magazine that aims to be the cutting edge of left-of-centre ideas.

He has an exclusive option on the magazine until the end of this month and talks are expected to continue until almost that time. Apart from looking at the books, he is exploring with the board issues of editorial independence.

But would he respect the magazine's left-of-centre traditions? "There is no question about that. It is almost a self-regulating thing – if you didn't, you would lose existing readers."

English Estates reaches a crossroads

Hazel Duffy reports on the possibility of rationalisation at the state-owned builder

THE prime provider of factories in the north of England, the state-owned English Estates, is approaching a crossroads of its 50-year career.

It was created in 1936 by a government reluctant to recognise that there was a job for the state to do. It did not fit in to the Thatcher mould any more happily, but the last 10 years have been the most interesting and innovative.

"English Estates has done some pretty stylish things in the 1980s," says Sir Christopher Wates, who retired yesterday after six years as non-executive chairman.

Now Mr Nicholas Ridley, Trade and Industry Secretary, whose father was one of the first directors of English Estates, is signalling that changes are in the wind.

He has decided that the possibility of English Estates' selling its property should be examined. Next January, he will receive an independent consultants' review of English Estates' role in the Government's urban and regional regeneration programme.

The successor to Sir Christopher, who is chief executive of the family property and building group Wates Holdings, will be Mr Idris Pearce, senior partner of chartered surveyors Richard Ellis. The tradition of a private-sector chairman – in this case with a public-sector profile as well in that Mr Pearce advises the National Health Executive – will continue.

However, it is early days. The speculation is that English Estates will survive, but in changed form, although it would be no surprise if Mr Ridley, a firm believer in leaving things to the private sector if at all possible, put a time limit on it, or even wound it up.

His decision must depend on how well other mechanisms are working, but he will also need to take a view of the likely impact on the regions of a recession.

The current economic climate is proving difficult for small businesses. Tenants of

Nicholas Ridley: review could lead to sale

small premises are resisting rent increases and there are fewer inquiries about space.

The head office of English Estates is still on the Team Valley estate in Gateshead, which it came in to revitalise. But in place of the big sheds built in anticipation of attracting industrialists to the valley, it is surrounded by retail warehouses, workshops, and "town house" type offices.

Those are examples of the "stylish things" of which Sir Christopher is proud. Part of the valley was given enterprise zone status. English Estates swallowed its bureaucratic tradition and set its own style for the private sector to follow.

It put up buildings and sold them on to intermediaries that specialised in providing the tax shelters for individuals available because of the enterprise zone. As the private sector gained confidence and the north began to feel the benefits of economic growth, English Estates cut back its developer role.

It led in parts of the country where the private sector feared to tread, like the Mercury Court office development in Liverpool. "It looked very risky", says Sir Christopher. "We reckoned £5 a sq ft was the best we could expect. Within 18 months it was fully let at £8 a sq ft."

Consett, in County Durham, which was devastated by the end of its steel industry, and Chatham, which suffered the closure of its dockyards, were other shining examples of a regenerative role that could only have been played by a public-sector body with financial targets that were not onerous and with access to public funding.

The Government also wanted the private sector to provide industrial and commercial space in the regions. English Estates was told to push up the rents and prices of its properties to entice private investment. Its underlying role, however, was still to provide space.

Mr Tony Pender, chief executive, says the review will clarify exactly what the Government wants from English Estates. "There will always be places where the Government will have to intervene."

Sir Christopher agrees that it is still something of a surprise that English Estates has survived the Thatcher years. Mr Ridley will not leave its future uncertain for much longer.

UK NEWS

Consumer group meets amid rift about attitude

By David Churchill, Leisure Industries Correspondent

CONSUMER activists gather in London this afternoon for the annual meeting of the Consumers' Association, Britain's best-known lobbying group, which is under fire from both within and without.

At the heart of the criticisms is Mr John Beishon, director of the association for the past two years, whose high-profile attacks on government policy – especially over food safety – and individual companies has raised the association's profile but upset Whitehall.

John Beishon: raising the association's profile

At the same time, Mr Beishon's aggressive management style has reportedly led to senior staff resigning and to an alleged loss of morale. The editor of Which? magazine, which sells a million copies a month, is the latest to leave.

Mr Beishon is uncompromising. "When I took over the association I inherited a major organisation with a strong reputation but lacking in professional management," he says.

"Some of the people who were working here – who were very dedicated individuals – had perhaps lost sight of the fact that we were a £40m-a-year organisation, employing 500 staff, and not only a major publishing house and research body but also a pressure group with enormous impact on the Government's policies."

Mr Beishon's view is that the association – formed in the 1950s to provide independent tests on household appliances – had not moved with the times. After governments of the 1960s and 1970s created a comprehensive framework of consumer protection, the philosophy in the 1980s was more traditional: *caveat emptor* – let the buyer beware.

Mr Beishon sees the association as the independent consumer champion against big business and bureaucracy, pointing out that the National Consumer Council receives its funds from the Treasury.

Under his direction, the association has built up a stronger asset base, put in a new computer system to take full advantage of the substantial database of consumers wanting information, and taken on a more campaigning role.

Mr Beishon insists: "I don't think we would be in as strong a position to look after the interests of our subscribers and the interests of consumers generally without seeing the association as a business that has to be run like one."

He believes that, in the run-up to 1992, a strong consumer organisation is needed as never before. He accuses some ministers and European commissioners of having few interests in consumers. "We've been told in the past that the EC is nothing to do with consumers but is about free trade for companies. Our concern is that all the achievements in consumer protection won over the past decades may be weakened by the greater liberalisation of the EC."

The hottest debate is expected to be about moves to include ballot papers in the Which? magazine to vote for the association's governing council. At present, subscribers have to register as members to vote – which few do. But, perhaps fearful of losing control to more militant activists, the present governing council also wants the right to decide which candidates for election are "fit and proper."

Scots conservationists prepare to battle alone

Government plans for more autonomy have met with a mixed reaction, as James Buxton reports

WHEN the Nature Conservancy Council decided two years ago that there should be a moratorium on planting trees in the Flow Country - the peatlands of Caithness and Sutherland in the far north of Scotland - it did not go about it very tactfully.

It did not consult in advance any of the local people or official bodies who would have been affected by such a ban. It declared its policy not in Scotland, but at a press conference in London.

That insensitive behaviour embarrassed the Government in Scotland, lost the NCC much public sympathy north of the border and cut the ground from under the feet of many committed Scots conservationists. It is one of the reasons for the government announcement in July that the NCC should be broken up into separate bodies for England, Scotland and Wales, and that a new natural heritage agency should be created for Scotland.

The proposal, which will be included by Mr Chris Patten, Environment Secretary, in the "green bill" in the Queen's speech next week, has caused consternation and division within the NCC and provoked angry attacks from some voluntary conservation bodies. It has had a rather warmer, although not uncritical, reception in Scotland. The NCC is the Government's official conservation body. It supports research, runs nature reserves and has powers to declare a site of special scientific interest (SSSI) when it considers an area's flora, fauna or geology to be particularly important.

Protecting the sites on home ground: village life in Iona, the Inner Hebrides

Landowners whose land is designated an SSSI may have to obtain the NCC's permission to carry out what it calls "potentially damaging operations." Half of all the land in Britain designated as SSSIs is in Scotland - about 750,000 hectares.

"We are intensely unpopular in Scotland," an official of the NCC in Scotland recently admitted privately. The dislike comes not just from individual land users operating on SSSIs or, as might be expected, from forestry interests.

Many country dwellers and rural local authorities see the NCC as inflexible, insensitive and inclined to apply scientific criteria too rigidly. Mr Ronnie Cramond, former deputy chairman of the Highlands and Islands Development Board and involved with many conservation bodies, argues that "the NCC's way of talking in absolutes" has harmed conservation in Scotland.

"I am alarmed that extreme conservationists are ruining the cause of conservation here by ignoring local people," he says. In some places, he considers, tensions are so high that conservation is becoming unworkable.

The Government plans to merge the divided NCC in Scotland with the countryside commissions to form, in Scotland, a new natural heritage agency. Such a body, Mr Rifkind says, will take "a more comprehensive view" of conservation issues and "display greater sensitivity and awareness than a body based in Peterborough," although he insists it will meet the same standards as its counterparts in England and Wales.

Supporters of the plan point out that the Scottish Office has responsibility for most aspects of land use - such as agriculture and forestry - but not for the environment. "It's hardly surprising that Scottish ministers have sometimes in the past seemed to favour other land uses over conservation," says one person closely involved in the subject.

On the other hand, the Royal Society for the Protection of Birds says bluntly that under the proposed natural heritage agency there will be "less nature conservation in Scotland." It believes there must be a unified approach to nature conservation in Britain.

The suspicion among some conservation groups that the Government wants to "cut the NCC down to size" has been fanned by vigorous applause for the new policy from forestry interests. Scottish ministers, however, say wryly the agency could "easily become a rod to beat our own back."

The NCC itself is intensely unhappy about the prospect of losing its UK-wide responsibility but is understood to have agreed to the split, provided close co-ordination continues on research and on compliance with international agreements. A majority of the NCC's Scottish committee backs the plan, which also has supporters among the officials at its Scottish headquarters.

Mr Cramond, a Countryside Commissioner for Scotland, insists, as do others, that the new agency must be properly funded and have its own base of scientific knowledge.

But he believes the new body will make conservation more accepted and understood in Scotland.

Many people think the Government's plan to legislate to divide the NCC in the forthcoming session of Parliament and to set up the new agency in the 1990-91 session means too long a period of uncertainty.

The issue will be strongly contested in Parliament, especially in the House of Lords. Lord Buxton, a leading conservationist, has resigned from the NCC council to contest the measure.

NEWS IN BRIEF

Mobil finds gas reservoir

MOBIL, the US oil company, has discovered a gas reservoir about 4 miles from its unmanned platform at the Camelot field in the North Sea. It said the discovery was a candidate for early development because of its proximity to existing facilities.

Although the discovery well was not tested, reservoir quality was similar to that at the Camelot fields, where flow rates of up to 40m cubic feet a day have been achieved.

Boots office closure

BOOTS, the industrial chemist and retail group, is closing the head office of Miller and Santhouse, the opticians' chain it bought in September. Its functions will be merged with the Boots Optician chain.

The office in Liverpool will close in March and most of the 77 staff are expected to be made redundant.

FS Assurance move

THE Court of Session in Edinburgh has approved the demutualisation of the Glasgow-based life Company FS Assurance and the subsequent transfer of business to Britannia Life, a subsidiary of Britannia Building Society.

With this final legal requirement completed, the way is open for Britannia Life to commence trading on January 1 1990 from the base of the existing FS Assurance operations.

Heathrow change

A £29m improvement scheme at London Heathrow Airport's Terminal 1 for passengers on domestic flights has been approved by BAA.

The plan includes a new lounge for passengers on Republic of Ireland and Channel Islands flights, and new facilities for Belfast passengers.

Care homes market seen as widening

By Alan Pike, Social Affairs Correspondent

THE CARE homes market is likely to become increasingly polarised, with private providers concentrating on wealthier residents and voluntary organisations catering for the others, a report suggests.

A market survey of care provision for elderly people conducted by Laing & Buisson, the health care publishers and consultants, concludes that people who rely on state income support cannot afford the fees of most private care homes.

The survey, published yesterday, found that the national average of fees charged by private nursing homes for elderly people were £258 for single rooms and £229 for shared rooms. Income support is limited to £190 a week.

Only 28 per cent of private nursing homes had minimum fees that put shared rooms within the financial reach of people wholly dependent on income support. For single rooms, that fell to 11 per cent, while "in some areas of the country the percentages approach zero," with the funding gap at its greatest in London and the Home Counties.

The 40 per cent of elderly people who paid their fees entirely from their own resources – or had support from relatives – had access to an increasingly wide range of choice in long-term care provision.

It is likely, the report suggests, that many care home operators will seek to move out of the purely state-funded segment of the market, and concentrate their services on the fee-paying 40 per cent.

Care of Elderly People: Market Survey 1989-90. Laing & Buisson, 1 Perren Street, London NW5 3ED. £190

Council of Lloyd's elects outsider external member

By Patrick Cockburn

THE ELECTION of three working and two external members to the council of Lloyd's has resulted in the appointing of Mr Nicholas Pawson, an outsider, as an external member for 1990.

Mr Pawson, who was standing for election for the first time, received 4,673 votes, well ahead of Mr Gordon Dunlop, the former chief executive of Commercial Union and finance director of British Airways. Lady Delves Broughton came third for the second time.

Surprisingly, all three of the working members elected – Mr Michael Cockell, Mr Henry Dobinson and Mr Bryan Kellett – are underwriters.

The elections usually produce two underwriters and one broker as members. This year's result is thought to be because the vote was split between two brokers, Mr Michael Jenner and Mr Robert Keville.

The council consists of 28 members. Twelve are elected from and by working members, eight by external members. Eight members with no connection with Lloyd's, including the deputy chairman and chief executive, are nominated.

MPs' adviser urges halt to work on Sizewell B

By Maurice Samuelson

WORK ON the Sizewell B nuclear power station should end without delay because its cost would far exceed its eventual income, the Government was told yesterday.

Mr John Chesshire, head of the energy unit at Sussex University's Science Policy Research Unit, said: "Authoritative evidence will be put on the public record in the next two weeks showing that the station's lifetime costs exceed its lifetime benefits by the order of £3bn."

Addressing the second day's session of the FT world electricity conference in London, Mr Chesshire said that the cost of cancelling Britain's first PWR nuclear station would not exceed £1bn, whereas completing it "would impose unnecessary electricity costs on British manufacturing industry".

Mr Chesshire, an adviser to the Commons Select Committee for Energy for the past ten years, said that the Government was "disingenuous" to have claimed that "new information" prompted its recent decisions to exclude nuclear power from its privatisation programme and defer plans for three more PWR nuclear stations.

"Early in the summer it was well known to the Government that the cost of nuclear power exceeded fossil-fired electricity by a factor of two or three."

Ministers should now be called on to account for their decision and should stop trying to blame it on "disruptive" environmentalist opposition to nuclear power, he said.

In Scotland, he added, the retention of nuclear power in the public sector would make it a "cuckoo in the nest" of the two Scottish power boards and create "enormous difficulties" in floating them on the stock exchange.

He said Mr Malcolm Rifkind, Scottish secretary, had played down the impact of excluding privatisation of Scottish nuclear capacity by maintaining that it would result in only 10 per cent of the electricity workforce and 25 per cent of generating capacity in the State sector. According to Mr Chesshire, 60 per cent of Scotland's electricity output came from nuclear power, which represented 80 per cent of the Scottish electricity boards' assets.

Mr Andrew Holmes, editor of the FTBI newsletter Power in Europe, said he saw no prospect of 1992 heralding a single market for electricity in Europe. "For better or worse, the electricity industry we have in Europe today will, in terms of its structure and ownership, still be with us at the end of the century."

FT CONFERENCE
WORLD ELECTRICITY

Fear of greenhouse gas increase

By John Hunt, Environment Correspondent

LARGE increases in carbon dioxide emissions in the UK are forecast in confidential Department of Energy figures, according to the Association for the Conservation of Energy (Ace).

Ace, an energy pressure group, says the emissions - from fossil fuels such as coal, oil and, to a lesser extent, gas - will increase by 37 per cent by the year 2005 and by 73 per cent by 2020. Carbon dioxide is the main contributor to global warming - the so-called greenhouse effect.

The forecasts will be an embarrassment to the Government. Mrs Thatcher called this month in a speech to the United Nations for international action to tackle climatic change.

Ace wants to see an expansion of the Government's programme of energy efficiency to reduce carbon dioxide emissions. The Energy Efficiency Office budget was increased in the Chancellor's autumn statement on Wednesday only slightly for the next three years. If inflation is taken into account it will be reduced in real terms.

The Department of Energy projections assume high oil prices and economic growth of 2.25 per cent a year. Ace says the figures show a 14 per cent fall in the nuclear power contribution to energy supplies by 2020 and only minor increases in the contributions from renewable sources of energy such as solar, wind and wave power.

Last year scientists at the Toronto Conference on the Changing Atmosphere called for 20 per cent cuts in carbon dioxide emissions by 1005 and 50 per cent cuts over the longer term.

Britain has not committed itself to such reductions.

The Department of Energy figures are among several scenarios provided by the British Government to the Intergovernmental Panel on Climate Change, which reports next year.

The Department of Energy agreed last night that the figures released by Ace were consistent with those in scenarios drawn up by the department. However, it said similar increases in carbon dioxide were predicted for other OECD countries. It denied that the information had been "leaked", and said the figures had been available in any case for consideration by environmental organisations.

The Department of Energy projections assume high oil prices and economic growth of 2.25 per cent a year. Ace says the figures show a 14 per cent fall in the nuclear power contribution to energy supplies by 2020 and only minor increases in the contributions from renewable sources of energy such as solar, wind and wave power.

Case for the arts proves overpowering

Anthony Thorncroft welcomes an increase in grants for struggling cultural institutions

THE UK does not have a Minister of Culture, with its sinister connotations of thought control. Instead it has a Minister for the Arts.

In recent years they have fallen into two distinct types – flamboyant personalities such as Lord St John of Fawsley and Lord Gowrie, or quiet, rather colourless characters such as Mr Paul Channon and the current incumbent, Mr Richard Luce. History suggests that the self-effacing breed secures more money for the arts.

Mr Luce has been Minister for the Arts for a record four years. He has made little impact on the broader national scene but in his own pleasant backwater he has a knack of delivering the goods. In 1987 he persuaded the Treasury to agree to three-year funding, which allowed arts organisations and museums to plan programmes better.

This week he secured an increase in grant totalling 24 per cent over the next three years to £487m in 1992-93. The Prime Minister does not like public whingeing – the favoured ploy of Sir Peter Hall when he headed the National Theatre – but she will respond to a well argued case. In any case, the money needed to pacify a high-profile, opinion-forming pressure group is minimal.

Mr Luce conjured up the extra cash just in time. The vociferous arts world had launched a propaganda drive, pointing out that two years of grant increases well below the level of inflation had left many leading arts institutions on the ropes.

It was not a case of crying wolf. The Royal Opera House, Covent Garden, faces a £2m deficit this year; the Royal Shakespeare Company is more than £1m in debt; and English National Opera has budgeted for a £290,000 shortfall. The story is repeated throughout the smaller arts institutions.

The museums are in an even worse state. Most of their costs are wages and salaries. The Victoria and Albert Museum, for example, thanks to a Treasury agreement with the Civil Service unions, was contemplating paying more in payroll alone next year than it was due to receive in grant.

Crowds watch a live relay of Il Trovatore in Covent Garden

On top of such unsupportable bills, the trustees of museums are now responsible for the condition of their mainly 19th-century buildings, which are literally falling down.

The case for the arts, taken to the ear of the Prime Minister by the new chairman of the Arts Council, Mr Peter Palumbo, proved overpowering.

Hence the jubilation on Thursday when the Arts Council, which acts as grant distributor to the performing arts, learned that it was to receive an extra £15m, on top of the projected £5m increase, bringing its 1990-91 grant to £174.9m, and the museums discovered that they would get 27 per cent more over the next three years, to a total of more than £200m, with a substantial amount earmarked for maintenance and renovation.

But like children on Boxing Day, the arts are already picking at their present. They lobbied hard for three-year funding and, when it came, the annual fixed increases proved to be totally inadequate, given the rise in inflation. Some are asking if this week's final solution will look quite so satisfactory in 1991.

The omens are better, especially for the performing arts. Mr Luce has reached an agreement with the Treasury that he can renegotiate the deal if inflation again exceeds the projected grant increases. Given that after this year's bonanza the projected annual rises for the Arts Council are just 3 per cent and 4 per cent, that understanding may prove crucial.

Not that every theatre company, orchestra, or dance troupe will be happy when it is told, before Christmas, of its 1990-91 grant. Tomorrow the Arts Council's members go to Leeds Castle in Kent for a three-day policy meeting. They imagined that they would be arguing about where to wield the axe, perhaps withdrawing grants from about 50 client companies. Now they will be looking at new initiatives.

Mr Luke Rittner, secretary general of the council, says: "It is marvellous, a dramatic change. We can now take decisions on an artistic basis rather than a financial basis."

That might mean that a more confident council will withdraw grants from a handful of groups it considers are not performing well artistically, reward with above-average increases those companies it reckons to be especially creative, and launch new initiatives, which could force clients to become more responsive to the real world.

What it will not do with its extra money – which turned out to be the actual sum it had discreetly campaigned for – is give everyone the same, across-the-board increase. Covent Garden and the RSC will get more next year than they anticipated, but they will still have deficits.

Mr Luce has reinforced the power of the Arts Council. The council might well use its money to push through changes in the structure of the arts in the UK, encouraging arts companies to take a greater control over their own financial destinies rather than continue as submissive recipients of grants.

Prospects for the museums are bleaker. For the fifth successive year their purchasing grants have been frozen. That means that the collective annual purchasing power of all the leading museums and art galleries in the UK, at just over £18m, is less than half the price of one painting by Manet sold at auction in New York this week. Mr Luce believes the museums should concentrate on marketing themselves better to the public.

Even the cash rise for building and maintenance, from £47m this year to £64m in 1992-93, may be inadequate to meet all demands. The National Gallery faces essential renovations costing £22m, the Tate needs £25m, and the deteriorating fabric of the Victoria and Albert Museum will cost more than £50m to repair. The museum directors have gained some breathing space this week but their walls might still come crashing down.

The Arts Council believes that the Government has got the message that most arts organisations are now efficiently run businesses, large employers, objects of international envy and invaluable sources of income through their appeal to overseas visitors.

Court orders intermediary to produce client accounts

By Raymond Hughes, Law Courts Correspondent

A FINANCIAL intermediary who has admitted putting investors' money into his business and personal bank accounts was yesterday ordered by a High Court judge to disclose how much money he received from members of the public.

Mr Justice Scott granted the Securities and Investments Board an order requiring Mr John Malone to swear an affidavit specifying all sums of money he received, ostensibly for investment purposes, and the names and addresses of the investors.

The judge also continued an injunction he had granted to the SIB on Tuesday stopping Mr Malone, who traded in Rochdale as J. G. M. Financial Services, undertaking further investment business.

The SIB had sought the injunction after learning that Mr Malone had breached a direction made in June by the Financial Intermediaries, Managers and Brokers Regulatory Association in June prohibiting him from conducting further investment business.

Last week the court ordered Mr Malone to make restitution to clients by paying into court an amount equivalent to the sums they had lost. He was also ordered to pay £1.29m into court immediately.

It was first restitution order made by the court against a financial intermediary under section 61 of the Financial Services Act.

Further court hearings, at which Mr Malone will be cross-examined, will ascertain the total lost to J. G. M. clients in the five years the business operated, the number of clients affected and how money paid into court should be distributed among them.

The court was told last week that more than 60 clients who put nearly £1.4m into J. G. M. had so far been traced.

The SIB alleged that none of the money was used to purchase investments for clients and that in the last 12 months more than £115,000 went into Mr Malone's personal account.

Employers back down in Reuter wages dispute

By Raymond Snoddy

THE management of Reuter, the international news and financial information group, appeared last night to have climbed down in its dispute with its unions over performance related pay.

Last week the three main Reuter unions, including the National Union of Journalists, voted overwhelmingly to back a series of 24-hour strikes that could have disrupted the time-sensitive Reuter service.

Yesterday the unions appeared to have won their main demands for cost-of-living increases for virtually all staff and a promise of proper talks on pay and conditions with unions next year.

The Reuter management would only say yesterday: "Talks are continuing but there is the basis for an agreement." The company declined to say what that basis was.

The company had offered staff a pay rise this year which averaged 11 per cent. It refused, however, to give any undertakings that everyone would get a cost-of-living increase. The NUJ and the other two main unions involved, the National Graphical Association and Sogat, were pushing for some sort of across-the-board floor.

Under the agreement now being finalised Reuter management, it is believed, has emphasised that most people will get a rise of between 10 per cent and 13 per cent and that no-one will get less than 8 per cent – with one exception. The exception is any staff member subject to disciplinary proceedings, although even here the decision is open to negotiations in individual cases.

Journalists are particularly pleased at what they see as commitments to hold talks with the unions on pay next year.

The decision of the Reuter management to accept a compromise and moves towards agreement in negotiations between Daily Telegraph management and journalists may influence the outcome of other simmering disputes in the national newspaper industry.

Journalist chapels (branches) at Associated Newspapers, publishers of the Daily Mail, have voted to hold a secret ballot on industrial action following management proposals to end collective bargaining and bring in individual contracts and performance-related pay.

Shutting the gate on future for national bargaining

The deadlock between engineers and employers may have serious consequences, writes Michael Smith

A HINGED iron gate was installed in the 1930s to guard the ground-floor staircase to the London offices of the Engineering Employers' Federation against occupations by protesting workers. It is still in working order today.

There was no attempt to storm the headquarters on Thursday afternoon. And developments inside made it unlikely that the gate will be used for anything other than ornamental purposes, in the near future at least.

Thursday's breakdown of what the EEF described as "last chance" talks with unions on a cut in the working week could lead to an erosion, and perhaps even the end, of joint national bargaining. But any future sit-ins are more likely to be staged at the headquarters of companies than the EEF.

More important, the failure to agree a national deal will inevitably lead to an escalation in a dispute which, for an increasing number of engineering companies, is threatening to turn into one the most damaging in decades.

In the absence of a national agreement on a reduction of the 39-hour week for manual workers, the unions say they will spread the strikes from the five sites – owned by British Aerospace, Rolls-Royce and Smiths Industries – where stoppages are already under way. The aim is to pick off companies until all have conceded more than the 37½ hours which the EEF has already offered – albeit "with strings" – at national level, or until the EEF is forced back to the negotiating table. But how realistic is this goal? And is joint national bargaining as dead as the EEF suggests?

In terms of numbers of companies and employees covered, the national engineering agreement is one of the most important in British industry. About 4,200 companies, representing about half the engineering industry, adopt the agreement's provisions for their combined manual workforce of more than 600,000.

In recent years, the pay element of the agreement has become less important. Even before the last deal expired a year ago, the EEF estimated that less than 2 per cent of members paid the minimum rates it negotiated with the Confederation of Shipbuilding and Engineering Unions.

However, considerably more members use the rates to determine holiday entitlement, overtime pay and shift premia, and virtually all stick to the agreement's 39-hour week. Many companies feel it saves energy and resources to use the national agreement for these issues rather than negotiate locally. But if the possible end

Tony Andrews

Peter Brighton and the gate: negotiator not only role

of national bargaining means more work for individual companies, it can hardly be welcomed by either the EEF or the CSEU. Mr Peter Brighton, EEF director general, says the federation has many more roles than just that of national negotiator. It also helps members with employee relations, industrial tribunals and health and safety issues, and lobbies for the industry.

None the less, the end of national bargaining would deprive the federation of a function which increases its profile in the engineering community and wider. If there is a way back into talks which could win the backing of members, the EEF will try to find it.

Similarly, the engineering unions have not sought the end of national bargaining. Like other unions, they oppose any move towards fragmented bargaining which tends to weaken their national clout and worker solidarity.

However, the mutual interest of the CSEU and EEF in preserving national bargaining was not enough to enable them to bridge the gap dividing them when they met on Thursday. In essence, the arguments had not changed significantly. The EEF offered to withdraw proposals which would have enabled companies to impose flexible working and overtime demands in the event of a 37½-hour agreement being implemented locally without consent.

In return, it wanted the unions to spell out how they would deliver productivity concessions. The CSEU wanted to know what the employers would concede on hours, but the talks never reached that stage.

If ever there was a time for compromise, Thursday was it: the talks were the first to be held officially for more than seven months. Theoretically there is nothing to stop talks resuming: more likely the unions, buoyed by their success at winning the phased introduction of a 37-hour week at NEI-Parsons, will step up the pressure for more local settlements.

Smiths Industries has already offered a 37-hour week at its Cheltenham plant, although its flexibility demands proved unacceptable to unions locally.

Both the Smiths and NEI offers followed unions threats, backed by ballot mandates, to bring out manual workers at the plants. The CSEU can call strikes at other factories but it will have to watch its funds.

Every striker is guaranteed £125 a week from a CSEU strike levy fund. Without that promise the unions would have difficulty in getting strike votes elsewhere. Yet the £800,000-plus a week the levy fund is attracting does not even cover the 9,000 workers already on strike at five plants owned by British Aerospace, Rolls-Royce and Smiths.

On the other hand, Rolls-Royce would hardly have sanctioned the NEI agreement if it was not prepared to talk about hours cuts elsewhere.

Rolls-Royce is one of the largest companies affiliated to the EEF. If the unions could win company-wide 37-hour weeks there and at Smiths, the tempo of the dispute would change. The CSEU would lift the strikes being staged at the two plants owned by the companies and order stoppages elsewhere.

Such moves would inevitably influence other companies because of growing skill shortages in engineering. Rolls-Royce and Smiths would ease their recruitment difficulties – and increase those of other engineering companies – if they offered shorter working weeks.

There are, however, considerable hurdles to be crossed before that stage is reached. Even then, it is by no means certain that smaller companies, some of which already have the flexibility deals that larger groups are seeking, will feel able to cut two hours or more off the working week.

Laboratory staff vote against pay campaign

By Fiona Thompson, Labour Staff

MEDICAL laboratory staff have voted two to one against taking industrial action over a 6.5 per cent pay offer.

The staff are skilled workers in hospital laboratories, blood transfusion centres and public health laboratories who provide diagnostic information for medical staff. They analyse blood and urine samples for diseases such as AIDS and hepatitis; conduct cervical cancer screening; and carry out post mortems and immunology tests.

MSF, the general technical union which represents 13,000 of the 18,000 staff, balloted its members on daily, one-hour strikes and on the withdrawal of non-emergency weekend working in support of a better pay offer.

The MSF members voted against the daily strikes by 6,698 to 3,464, a 65 per cent rejection. Although the margin was narrower on the second form of action, the vote of 4,701 to 3,536 still produced a 56-per-cent rejection of the recommendation to withdraw weekend working.

Nalgo, the public service union which, with Nupe and Cohse, represents the balance of the medical laboratory staff not covered by MSF, also balloted its members on the daily one-hour strikes.

That ballot also produced a two-to-one rejection of industrial action, with 67 per cent voting against and 31 per cent in favour.

Mr John Chowcat, MSF national officer, said he was disappointed with the ballot result. "But it is clear from reports we have been getting from members around the country that in some areas members who would normally support industrial action were swayed by the imminent threat of privatisation of laboratory services."

The unions would now have to consider reluctantly accepting the pay offer, Mr Chowcat said.

Sunday post to go ahead

By Our Labour Staff

SUNDAY POSTAL collections will be made this weekend for the first time in 13 years following a vote among Post Office workers.

The Union of Communication Workers said postmen and women voted by 75,310 to 42,580 to approve the agreement on Sunday collections.

Collections will start from selected post boxes in Edinburgh, Darlington, Newcastle-upon-Tyne, Cardiff and Northern Ireland. The Post Office aims to spread the service throughout the country by the end of next year.

Staff working on Sundays will do so on a voluntary basis and will be paid double time. The deal was agreed after the union leaders said they had won a commitment from the Post Office that it would improve the Monday to Saturday service.

In another UCW ballot, Post Office counter staff have voted by 9,890 to 3,220 to accept a deal which will increase average earnings by 6.5 per cent. The rises for the 15,000 staff will be back-dated to April 1.

The Post Office said the deal would increase the pay bill by only 7.5 per cent.

Another ballot, on a pay offer which will increase the basic wages of 165,000 Royal Mail letters staff by 8 per cent, is to end on December 12.

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The challenge to Mr Major

MR MAJOR HAS no easy task. The new Chancellor's overt agenda is to return the economy to a path of long-term stable growth; *his covert agenda* is to win the next election for his party. It is an open question whether his first task is consistent with the second.

If the Chancellor is to combine the two, next year has to be more than just a little painful. By *the end* of 1990 all the froth has to be blown off the labour market; underlying *inflation has to be on a secure* downward trend; and the current account deficit will also have to be on a declining trend. Failing all this, any significant reduction in interest rates, which is the precondition for recovery, would be *extremely risky.*

Mr Major made the right noises this week. Domestic demand *is forecast to be* completely flat next year, with consumers' expenditure up a mere 1¼ per cent, a far cry from the 3¾ per cent of 1989 and 6¾ per cent of 1988. Fixed investment is expected to rise by 1¾ per cent, down from 5¼ per cent in *1989 and 13¼ per cent* in 1988. Despite loose talk about weakening control over public spending, general government consumption is forecast to rise by a mere ¼ per cent in 1990.

If all this does, indeed, happen, the forecast growth of ¾ per cent in the non-oil economy is plausible. Retail price inflation, excluding housing, *might also fall from the 5½ per* cent implicitly forecast for the last quarter of 1989 (itself somewhat less plausible after yesterday's announcement on inflation in the year to October) to the 4¾ per cent suggested for the end of 1990.

Severe squeeze

To get where he needs to go, the Chancellor is forecasting (and by implication imposing) a severe squeeze on the corporate sector. Moreover, this time the service sector is going to suffer more severely than manufacturing, which is forecast to grow *twice* as *fast* as the non-oil economy as a whole.

The reason for the difference is that high interest rates coincide with a weak currency, not the soaring exchange rate of the early 1980s. For the possibility of squeezing the economy, *without squeezing manu*facturing disproportionately, thanks are owed to the UK's much criticised current account deficit. Thanks are, presumably, not going to be expressed by retailers, property developers and builders.

The squeeze will be *severe* for the same reason that it has to be: the buoyancy of the labour market. Figures released this week show earnings rising by 9 per cent and unemployment still falling. Unit labour costs are rising by around 8 per cent in the economy as a whole. As long as this *lasts*, the deflator for gross domestic product (the price of goods and services produced in the economy) cannot *fall* from 7 per cent this year to 5 per cent next, as is forecast, without a decline in profit margins. With the nigh-on-certain inertia in wage bargaining, unemployment is bound to rise.

Fiscal loosening

In short, the Chancellor can only get where he needs to be by the Budget of 1991 if there is a lot of pain in between. This is what he forecasts, but will it happen? The Treasury did quite a good job of forecasting the main components of domestic demand for 1989. It *could well turn out to be right* for 1990, too. It is almost certain to be right if interest rates remain at this level for "as long as is needed". There is only one real doubt. By conceding an increase of £5½bn in general government expendi*ture for* 1990-91, *Mr Major* has loosened fiscal policy. The implications for the next budget are painfully obvious.

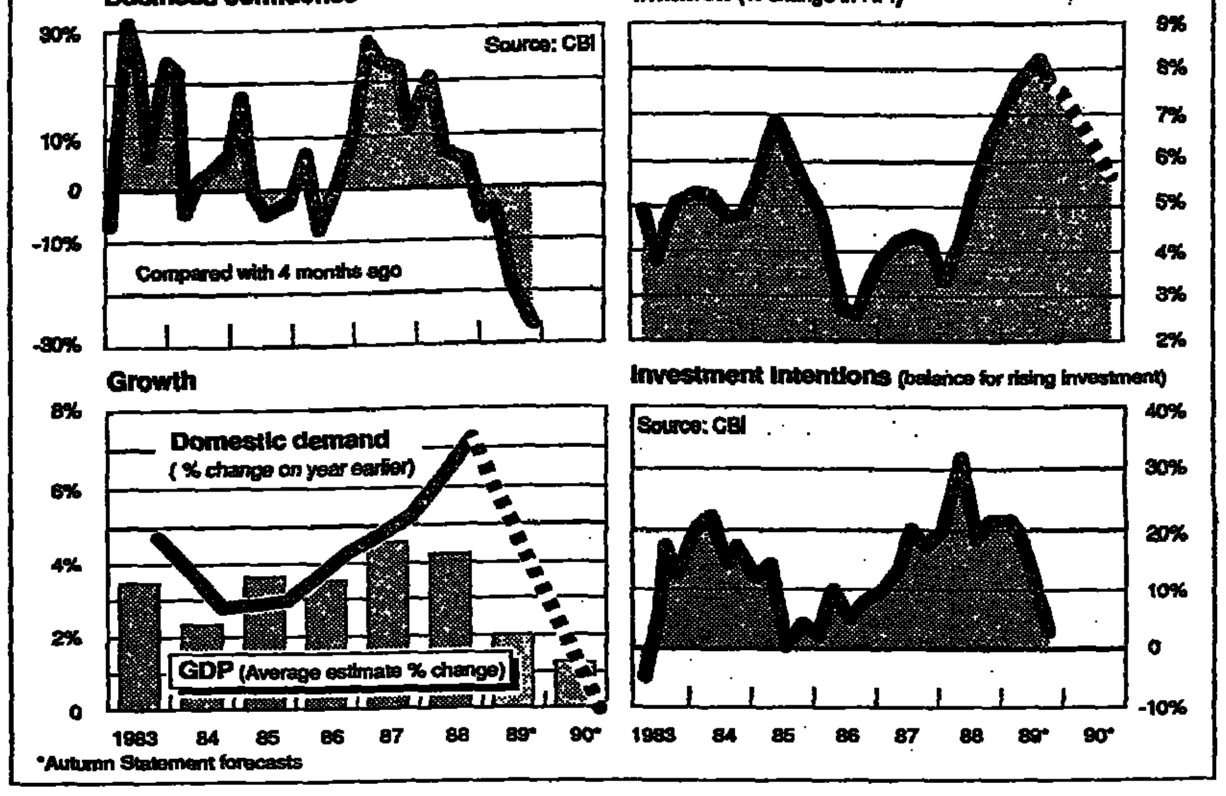
After a miserable 1990, will the lights then be green for lower interest rates and tax cuts in 1991? This depends, quite specifically, on a successful reduction in wage inflation. Otherwise, margins would be *swiftly restored and inflation* would soon return to the present unacceptable levels.

What happens if Mr Major fails to obtain a stable underlying inflation rate of below 5 per cent by the end of 1990? In that case, the price of expansion *could be an immediate return* to politically risky levels of inflation, or a sterling crisis, or more likely both. The stimulus that will be demanded in 1991 could well leave the British economy in a horrible state after the election. The more likely a Labour victory, the worse the mess, since that prospect would encourage the Government *to* take greater risks.

There is yet another implication. If underlying inflation does, indeed, bottom at around 5 per cent before the next expansion, the Prime Minister will be torn between grief and joy. *She will feel grief over* what would then be 10 years with no progress against inflation, but she will feel joy over the failure to meet one of her main conditions for entry into the exchange rate mechanism of the European Monetary System. It now seems likely that the UK may fail to attain the rate of inflation of the low *inflation members of the Euro*pean Monetary System before the mid-1990s.

Peter Norman examines the UK economy in the light of the Treasury's Autumn Statement

The year of living dangerously



Mr John Major's three-week honeymoon as Chancellor of the Exchequer may be coming to an end.

His remark on Wednesday that "1990 may not be an easy year" is beginning to have all the hallmarks of a classic British understatement. Yesterday's unexpectedly bad inflation figure for October, sterling's consequent weakness and growing signs of slowdown in the real economy have thrown the problems that Mr Major *faces into sharp relief.*

Yet when the Government's Autumn Statement, with its 28 pages of tables, charts and figures, was presented to parliament on Wednesday, it *skated* round many vital issues which will determine whether 1990 will be a good or bad year for Britain. It contained no clear information on tax policy or the outlook for interest rates, unemployment and company profits.

However, on closer scrutiny, the *Government's figures could* suggest that 1990 will be a year of protracted high interest rates, no tax cuts and possible tax increases. Unemployment is certain to rise next year as the final version of the Autumn Statement will make clear when it is published next Wednesday.

Combining the statement with recent gloomy surveys from bodies such as the Confederation of British *Industry and signs that individual* companies are looking more cautiously to the future, it is likely that growth of company profits will slow or possibly decline next year. House prices may be set for further falls.

In its bare essentials, the Government's forecast for next year envisages growth *in the non-oil economy of* ¾ per cent; retail price inflation at 7 per cent to mid-year before starting to fall; and stagnant domestic demand. Taken literally, these projections – as Mr Major insisted on Thursday – do not suggest that Britain is "teetering on the brink of a recession." But, as the charts show, they mark a sharp break with the type of economic performance the country became accustomed to under *Mr Lawson.*

The risks of recession are also clear from the Government's figures. On average, Treasury growth forecasts over the past 10 years have shown a 1 percentage point error. Taking the projected ¾ per cent growth of the non-oil economy next year, a small ¼ *per cent contraction in economic* activity is wholly within the bounds of possibility.

Mr Major underlined on Wednesday that the Government's "main priority" was to "bring inflation decisively down, and keep it down." In a BBC radio interview on Thursday, he *insisted that the Government* had a strong monetary policy and strong fiscal policy to achieve this end.

On the *other hand*, the downward drift of the pound since mid-week has highlighted how he lacks room for manoeuvre. The Government's forecast of a decline in the current

Unemployment is certain to rise next year as the final version of the Autumn Statement will make clear next week

account balance of payments deficit to £15bn next year from a projected £20bn in 1989 will only begin to convince *financial markets* once an improvement becomes apparent in the monthly trade figures.

Although the Government's increased spending plans went down well with the Conservative Party, financial markets have greeted them with scepticism as a premature relaxation of policy.

These considerations mean that Mr Major must be prepared to maintain the policies and appearance of rigour. This could mean no tax cuts (and even the possibility of higher taxes) in next year's Budget. It could also mean *high interest rates for a protracted* period, reflecting the Autumn Statement projection of retail price inflation above 7 per cent until the middle of the year.

In his first three weeks as Chancellor, Mr Major has had no opportunity to ponder his tax policy in next year's Budget *and* will *not start forming* his Budget judgment until around Christmas at the earliest. But he has made *clear* on numerous *occasions* that slower growth in the economy is necessary to combat inflation. In such circumstances, he will not move quickly to fulfil Mr Lawson's aim of cutting the basic rate of income tax to 20 per cent from 25 per cent.

The suggestion that he may want to *increase taxes has been floated* by several City economists including those at Midland Montagu and Mr Gavyn Davies, the chief UK economist of Goldman Sachs in London.

Mr Davies believes higher taxes could form part of a strategy to produce a sustainable reduction in interest rates ahead of the next general election. He says the Government's revenue assumptions for next year *are consistent with a shortfall of* £1.5bn in the £10bn Budget surplus for 1990-91 projected at the time of the Budget in March.

Such projections are always subject to revision. But if Mr Major were to shift the emphasis of economic policy more towards fiscal restraint, he *could be tempted to plug the gap by* not indexing the tax free allowances in line with anticipated inflation of 7 per cent or more next March. Alternatively, he could consider increasing consumption taxes such as those on alcohol and tobacco. Mr Lawson *exempted these from tax increases in* his last Budget. The disadvantage, however, would be a further boost to inflation.

The likelihood that interest rates will stay high for a long time was hammered home in Mr Major's BBC interview on Thursday. The Chancellor appeared to make any *cut* in the present 15 per cent level of bank base rates conditional on a fall in inflation. *"As we begin to get inflation down,* interest rates will follow," he said.

Yesterday's news of an increase in the underlying inflation rate to 6.1 per cent in October has underlined his difficulties. The underlying rate, which excludes the effect of mortgage interest rates, has now risen to its *highest level for six-and-a-half years.*

In the meantime, the retail prices index, which includes mortgage interest payments, has still to reflect this month's rise in home loan costs. These are expected to add around 0.5 percentage points to October's 7.3 per cent annual inflation rate.

Wage inflation has also yet to peak. In September the underlying rise in average earnings in Britain quickened to an *annual rate of* 9 per cent from 8.75 per cent in the 12 months to the end of August. Together with a decline in productivity, this acceleration produced a sharp increase in unit labour costs.

The Government's Autumn Statement forecast includes an interest *rate assumption which is not pub*lished. But one official indication that only modest interest rate cuts are in prospect next year is the Government's projection of an 11 per cent rise in housing costs over the next 12 months. By contrast, the retail price *index in the final quarter of* next year is expected to be only 5.75 per cent higher than at present.

At various times over the past week, Mr Major has spoken of a "necessary pause" before the economy returns to the growth patterns of recent years. He has forecast that the policies "will have an increasing impact both on household spending and on company spending."

On his first day in office, he observed that if the counter inflationary policy "isn't hurting, it isn't working." Over the coming months, Britain can therefore look forward to:

- **Higher unemployment:** Wednesday's cascade of press releases from the Treasury contained only a vague *reference that the recent fall in unem*ployment "could level off in the coming months." However, the Autumn Statement document, to be published next Wednesday, will contain an assumption from the Government actuary that unemployment will rise to an average of 1.75m in the 1990-91 financial year from 1.67m in 1989-90.

The latest jobless figures, released on Thursday, showed that the rate of *decline in unemployment was slowing* in Britain as a whole, and unemployment was rising in the West Midlands and East Anglia. There was a 9,000 drop in manufacturing employment. On that day, British Steel also disclosed plans to shed 1,200 jobs over the next two years, although these losses *are linked to productivity* improvements rather than falling demand.

- **Lower profits:** The Autumn Statement said "profit margins may be squeezed over the *next year* compared to recent historically high levels." Following the statement, UBS Phillips & Drew, the stockbroker, said it expected industrial profits to grow next year by 5 per cent compared with the consensus expectations of 10 per cent. Goldman Sachs believes non-oil profits could decline by 2 per cent next year after growth of 12 per cent to 13 per cent in 1989.
- **Unsettled stock market:** Several brokers have decided that Mr Major's policies are bad for equities in the short term at least. Credit Lyonnais *Securities forecast* that London equities "as a whole will tend to drift downwards as earnings estimates are revised" while Midland Montagu commented that the London share market *"should be distinctly worried about* the Chancellor's forecasts."
- **Lower house prices:** Charterhouse Bank says it believes house prices could fall by 1 per cent per month through the winter, bringing an average fall over the two years to late 1990 of up to 10 per cent. In real, inflation-adjusted *terms*, house prices might have fallen by between 19 per cent *and 27 per cent* by the third quarter of next year before beginning *a strong* recovery in 1991.

Although the forecasts in the Autumn Statement are all about 1990, it is 1991 that is the important year *for Mr Major.* By that time he hopes that pain administered now will be forgotten after inflation has fallen, interest rates are *cut and prosperity* returns. But it is also clear that there are many risks between the present state of uncertainty and such a happy ending.

One is that of a wage explosion. It is no coincidence that the Autumn Statement has been accompanied by dire *warnings from the Government* and Bank of England of increased unemployment if wage increases stay at present levels.

Another is the possibility of recession caused by a precipitate unloading of industry's stocks. Recent adjustments to the expenditure mea*sure of gross domestic product* suggest that company stocks grew by £7bn in the year to the second quarter. The Bank of England has warned that an unwinding of such stocks "could have quite serious implications for future output growth."

A further uncertainty hinges on the *Government's* projection of a 6.25 per cent increase in exports of goods and services next year against import growth of only 1.25 per cent. These forecasts are traditionally subject to wide variations, although continued strong economic growth among Britain's European Community partners gives some credibility to the export forecast.

Mr Major's projections for 1990 have been *couched in as pessimistic a man*ner as possible, although Treasury officials insist that they have not been "massaged." Indeed, it is understood that the broad outlines of the forecast

1991 is the important year for Mr Major. By that time he hopes that pain administered now will be forgotten

– like the public expenditure round that formed the other part of Mr Major's message this week – were completed while Mr Lawson was Chancellor.

Reading between the lines and putting the Autumn Statement in the context of recent economic developments, the Government is prepared at best for a lacklustre start to the new decade. But this could be good news *for Mr Major. For if he is to spring* any surprises, they are more likely to be pleasant ones.

Conrad Black, owner of the Telegraph newspapers, talks to Raymond Snoddy

A remarkable transformation

When Conrad Black, the Canadian businessman who owns the Daily and the Sunday *Telegraph, first became a 14 per cent* shareholder in the company he telephoned the classified advertising department to place an advertisement – just to see what would happen.

"I was told I could wait for several weeks and I was referred to The Times and actually given the telephone number of The Guardian. That wasn't a commercial way to run a paper," he says.

Since taking control nearly four years ago of the newspaper that represents the authentic voice of the British middle classes, Conrad Black has presided over a remarkable transformation.

Staff numbers have been cut from 4,000 to around 1,600 and there has been what Conrad Black describes as a vertiginous increase in advertising revenue. Under the editorship of Max Hastings, the Daily Telegraph has been *lovingly modernised and pre-tax profits* of around £40m are expected this year compared with losses of £16m in the six *months before Mr Black* won control.

When he took over, circulation was at 1.11m and dropping apparently inexorably at a regular rate of around 10,000 a month. "Today we are at 1.114m despite a 40 per cent increase in cover price from 22p to 32p, despite the launch from scratch of The Independent up to a sale of 420,000 and despite the fact that we've had, according to our reckoning 150,000 subscribers die in that time," says Black, who has recently assumed the role of executive chairman.

Yet *on the last stage of the journey* – applying "some reasonable standards of efficiency" to the editorial department – Conrad Black's modernisation plan has faltered, at least temporarily.

Two related issues have become seriously entangled and led to unprecedented disaffection among journalists – the decision to move the Daily and Sunday Telegraph in the direction of seven day operation and new contracts requiring journalists to work any five of seven days a week. "It's the last piece of *the industrial relations* puzzle to be put in place. What we are asking for is not so radical. What we are asking for is essentially a five day work week and to end reliance on casuals at weekends."

Journalists have seen the plan as the inappropriate application of time and motion studies to the sensitive business of creating a newspaper. Morale is described as being at an all-time low.

Around 30 experienced journalists have left in recent months, and journalists went on a 36-hour strike when the new contracts were unveiled, revealing a package involving 33 job losses – although only three are now considered to have been involuntary.

As he talks in his new office overlooking London's Docklands, Conrad Black looks like a newspaper proprietor at bay, isolated from his journalists, defensive and angry at how he believes his motives have been misrepresented.

"That I should be portrayed as some kind of ravening, money-grubbing, know-nothing who is a devourer of journalists is outrageous in addition to being unfounded in fact," says Mr Black who says that *editorial budgets* have doubled since he took over.

He does accept that mistakes have been made in implementing the changes and concedes that there may have been an element of *time and* motion study about the original reorganisation plan. "There was some of that but I rejected those parts of it that I considered excessive and insensitive to the particular nature of journalistic activity," he says, confirming that the original plan envisaged the loss of *nearly 100* jobs.

Mr Black accepts that journalists cannot be treated as just another unit of production and that even terribly unproductive journalists can be extremely *valuable to readers.*

"Some of them are temperamental, tiresome and nauseatingly eccentric and simply just obnoxious but that has really nothing to do with it. They simply cannot be measured by that criterion," says Conrad Black.

He says he regrets the destabilising effects of the *changes* but believes they must be balanced against long term gain. "I hope it will pass quickly and I think it will," he says.

Editor Max Hastings has found him*self* caught between the *strategic* objectives of management and obvious sympathy with his journalists, although he believes that seven day production is a logical concept. He was always sceptical *of the wisdom of his being editor-in-*chief of both papers and when he raised his doubts with Conrad Black, Trevor Grove was quickly appointed editor of the Sunday Telegraph.

"I was asked to give it a go. But I have always been of the opinion that the Sunday needed a separate hand on *the reins,*" says *Hastings, feet on his* desk drawing on a large cigar.

Choosing his words carefully, he says: "One or two passes have been fumbled in the past few months." He believes there has also been a loss of direction with management pre-occupied with structural problems rather than the papers themselves.

Conrad Black is emphatic that the Sunday Telegraph had to change *because it* was going down a "quirky little England unisectional Worsthornian (after former editor Peregrine Worsthorne who now edits the four page opinion section) cul de sac. It was magnificent but it was not an editorial strategy that was going to work."

The objective – "in some ways a chimerical objective" was to try to turn Daily Telegraph readers into readers of the Sunday Telegraph which sells around half that of the daily.

Conrad Black concedes that there were "implementation errors" but compromises have also been made and full seven day production is only going ahead in areas where it works.

Mr Black is also contrite about the initial contracts offered to journalists. "The initial document could have been phrased in a way less calculated to raise the alarm of journalists. I accept that and *discussions are going* on with these people," Black says.

Will he be prepared to compromise on the new contracts?

"Some element of compromise cer*tainly. But there is a principle here:* a five day work week and non-dependance on casuals at the weekend and the reasonable application of normal standards of efficiency and productivity in the *editorial* department with due respect for the particular quality of editorial work," he says. All the signs are that an agreement *will be* reached between management and journalists without further industrial action.

To Andrew Knight, former chief executive of the Daily Telegraph and the man most *responsible for the turn*around in the company's fortunes, 1990 will be an "annus mirabilis" after four years of traumas.

In 1986 the paper moved to its new *Docklands printing plan. In 1987 new* editorial headquarters were opened at South Quay followed by a year of consolidation and the imposed trauma of merging the two newspapers this year. "But in 1990 we will find ourselves with two of the strongest newspapers in the UK," Knight predicts.

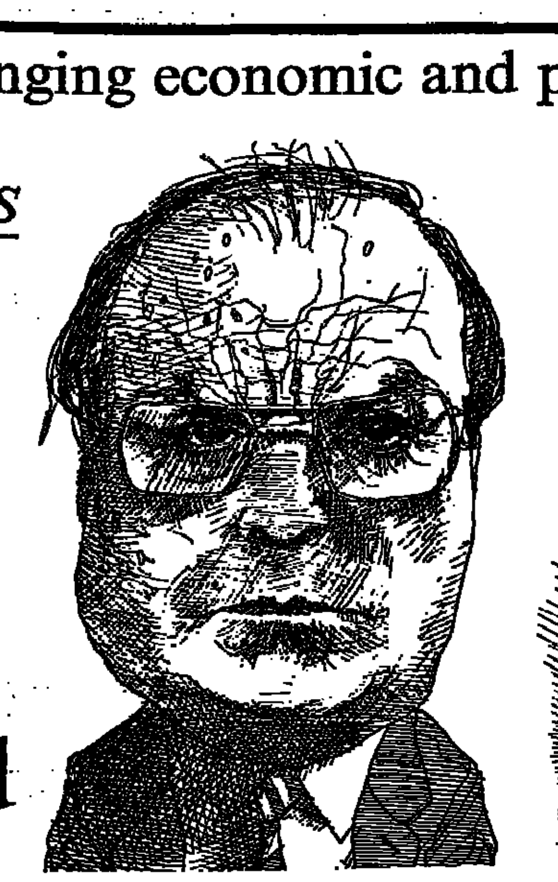
FT writers look at the changing economic and political relations between the two Germanys

MAN IN THE NEWS

Helmut Kohl

On the high wire above the Fatherland

By David Marsh



Helmut Kohl, a man who likes to deal in unshakeable facts and massive certainties, is in the midst of efforts to manage a continent in transition.

The Bonn Chancellor's challenge is to convince western and eastern neighbours that Germany will remain stable and wedded to the West – at a time when the political map of central Europe is undergoing the biggest upheaval since 1945.

Kohl, 59, has been Chancellor since October 1982 – making him the longest-serving Christian Democrat (CDU) head of government since Konrad Adenauer. He is verbose, thin-skinned, impatient and heartily dislikes journalists. He is still the butt of bar-room jokes.

But he is presiding over a country in which economic vigour, democratic robustness and attachment to the western alliance have played a vital indirect role in triggering the political reforms in eastern Europe, especially in East Germany.

Because of its geographical position and industrial strength, the Federal Republic is the pivot in the new European political balance. West Germany's influence comes partly from its allies' fear of the disruption which might ensue if it ever became a less full-hearted supporter of the European Community and Nato. For George Bush, Mikhail Gorbachev, François Mitterrand and Margaret Thatcher, Helmut Kohl is now the most important man in Europe.

For years, Kohl has earned the derision of the domestic Left by doggedly maintaining, in speech after earnest speech, his vision of self-determination for the East and a united German "Fatherland." Kohl's consistency and determination, his unfailing repetition of basic messages – freedom, the market economy and God – are his strongest political cards.

Now, the 40-year-old mirage of German unity, although still highly blurred around the edges, is at last coming into view. With relentless reform pressure in East Germany forcing the Berlin wall to crumble, the last few days could have represented Kohl's finest hour. His face this week, however, has shown marks of stress rather than triumph.

Kohl realises that he faces a political balancing act requiring Bismarckian skills. One of his closest aides said yesterday that he has entered the "most decisive phase" of his Chancellorship. After nearly three years of almost constant setbacks for the CDU in regional elections, the Chancellor has to steer through what will be a highly polarised and emotional campaign leading to a general election at the end of 1990.

Public opinion both at home and abroad has suddenly become vitally interested in – and, to some extent, alarmed by – prospects for German reunification. The aide added that the message which Kohl has now to propagate, both for domestic and foreign consumption, is that unity will not take place overnight, but neither will it be delayed for ever.

Kohl believes that the best way of achieving unification is to allow East Germany to become, through a process of political and economic reform, a country with a federal structure. This would lead to reintroduction of the Länder (states) – Saxony, Mecklenburg, Thuringia and others – abolished in East Germany in the first post-war years.

These states would be the instruments of self-determination, just as they were in the West in drawing up the Federal Republic's constitution in 1948-49. "They (the East Germans) know best what they want," Kohl told the Bundestag two days ago. Kohl believes that, in a free vote, the East Germans would vote overwhelmingly for reunification.

In a moment of frankness no doubt partly engendered by the Soviet Union's strong opposition to reunification, Kohl told a press conference in Moscow in October 1988 that he probably would not live to see German unity. Although he is making no detailed public statements on the question, his idea now appears to be that this could take place after a transition period perhaps as short as five to eight years.

Kohl's character and physical endurance have been put severely to the test in the last 10 days. His strengths – and weaknesses – have come to the fore, along with his oscillating moods. An official who knows him well says: "The problem with him – but it is also a sympathetic trait – is that he refuses any kind of public relations tricks. He has been told many times to wear trimmer shirts or more modern suits. He is not an actor. Sometimes this can have a price."

The November 9 breaching of the Wall came on the first day of Kohl's long-postponed five-day official visit to Poland. Aware of the sensitivity for the Solidarity-led government of appearing to be diverted by East German developments, Kohl called a late night press conference, delivered bland homilies on the historic events in Berlin, and flew off the next day to the divided city.

Jeered and whistled by Left-wing demonstrators at a rally at the West Berlin city hall, the Chancellor was visibly upset. After a hasty cabinet meeting in Bonn, Kohl flew back to Warsaw to complete the rest of the gruelling programme.

Today, in Paris, Kohl will be extending the high-wire act, at President Mitterrand's dinner for heads of EC governments. Now, when Bonn's attention is inevitably being diverted from the EC by East Germany, Kohl will have to come up with convincing ideas for maintaining western integration and simultaneously advancing towards German unity.

Already, Kohl is courting disagreement with his Foreign Minister Hans-Dietrich Genscher by failing solidly to back French plans for European monetary union.

Not for the first time, Kohl is looking to the Elysée Palace to help him in a tight spot. His relationship with Mitterrand – like his friendship with former Chancellor Willy Brandt – started off incongruously, but has deepened in recent years.

Mitterrand the rapier and Kohl the blunderbuss. They both like to tell jokes and swap anecdotes, including about their own parties. They both hail from strong Catholic family backgrounds. The two men sometimes exchange their reading lists. Mitterrand appreciates Kohl's interest in European history; and both men know that it is on the move.

Turn east, then straight on for co-operation

By Andrew Fisher

"YOU DON'T HAVE to change the ideological system to clean the air," says Mr Heinz Schimmelbusch (above), the chief executive of Metallgesellschaft, the Frankfurt-based industrial group, with a hint of a smile.

He is speaking practically, not metaphorically. East Germany's polluted air is one of the main complaints voiced by its dissatisfied citizens. The problem is one Mr Schimmelbusch thinks his company can do something about.

Metallgesellschaft's activities span metals, mining, chemicals, engineering and metal waste recycling. Its total trading volume with eastern Europe was around DM2.5bn (£849.6m)last year. It has more regular trade with East Germany than any other company outside the oil industry.

Mr Schimmelbusch was in East Germany when the borders were opened. He sees exciting opportunities for more business with East Germany, where the company last year did around DM500m (£170m) worth of trading, much of it in chemicals. Since ecology has never loomed large in the priorities of East Berlin's politicians, Mr Schimmelbusch reckons there is an urgent job to do in both cleaning up the environment and producing energy more cleanly and efficiently by using fuels that do not foul the air in the way that lignite (brown coal – a common fuel in East Germany) does.

But he cautions against too fast a pace of economic change in East Germany, while carefully avoiding any direct comments on the political situation there. "I would not institute universal changes quickly," he says, pointing to the acute economic disruption in the Soviet Union caused by the rapid introduction of perestroika.

"The basic problem with perestroika is that too much changed too quickly in too many directions; they couldn't find the right people to handle it all. Since it's hard to find an alternative system, why not do the obvious and spend time concentrating on the projects that can be done quickly."

Metallgesellschaft's activities with East Germany include the buying and selling of raw materials and machinery, counter-trade financing and the construction of industrial plant. Each day, it ships out two trainloads of methanol, some 450,000 tonnes a year, from a plant which its subsidiary, Lurgi, helped to build at the Leuna chemicals complex near Leipzig. (Methanol is used as an additive for cleaner fuel-burning.) Four years ago, Metallgesellschaft was the first big West German company to set up a trading office in East Berlin employing East Germans. It is a partner in Eurasco, a Zurich-based trading finance venture involving both Soviet and East German banks and trading concerns.

Mr Schimmelbusch sees two main initial priorities for the East German government. Managers must be freed from the constriction of central planning from above, and a law must be passed to allow them to enter into joint ventures with western companies. If those two things are done, he believes, "a lot of industrial projects, mostly environmentally inspired, could be accelerated by the new energy infused into the system."

Apart from the obvious benefits of a common language and a common industrial tradition, West German companies are natural partners for East Germany, since they make such a wide range of high-quality engineering, electronics, and consumer products.

Mr Schimmelbusch, at 45 one of the youngest and liveliest heads of a big German industrial group, thinks East German managers are capable of running operations well if they are given their head. "You have to give them the freedom to do what is necessary. You can't blame management there for the way the economy has been run. The managerial skills exist and, in the circumstances, industry has a high degree of efficiency."

The circumstances have been less than ideal. Economists who keep an eye on East German developments note that while the workforce is fairly well trained, industry has been held back not only by organisational hindrances but by lack of computerisation and modern production methods.

Now that the impetus for change is there, Mr Schimmelbusch thinks that East German industry must adopt western economic standards. He says one of the best ways to achieve this is through joint ventures.

Until now, East Germany's *Kombinate* (industrial groupings) and trading concerns have not been allowed to link up with western companies in joint ventures at a time when industrial and financial partnerships have been springing up worldwide. Once managers have the organisational and legal freedoms to do this, Mr Schimmelbusch expects progress to pick up steadily.

The next stage will be to institute effective and transparent pricing and accounting systems. "Without the necessary degree of freedom, though, prices don't help. It is also important to institute financial guidance systems under which the ultimate guidance is profitability. Profit guides investment. If healthy profits are to be made, scarcities disappear quickly."

He is reticent about mentioning specific projects in which Metallgesellschaft might become involved. But having just bought control of Lentjes, a Düsseldorf-based energy and environmental company which also does business with East Germany, it is in a strong position to participate in new power station, environmental, industrial waste recycling, and general engineering projects.

The group's Kolbenschmidt subsidiary has been helping to set up a factory at Karl-Marx-Stadt to fit Wartburg cars with Volkswagen Golf engines. VW, based near the East German border in Wolfsburg, West Germany, is regarded as an obvious beneficiary of closer co-operation. So are engineering concerns like Thyssen, Mannesmann, and MAN, or electrical groups like Siemens.

The possibilities for profitable co-operation are considerable. They have brought a new excitement into many West German boardrooms, though the obvious difficulties should prevent executives from becoming too starry-eyed. Many outmoded East German factories have been kept going as much to provide jobs as to make goods to sell at home and abroad. The productivity gap is also great. Taking the opportunities across the border will be a hard test of management on both sides. Mr Schimmelbusch says with relish: "It is a major corporate challenge for us."

LETTERS

Europe's farmers face a dilemma

From Sir Simon Gourlay.

Sir, David Richardson's Farmers' Viewpoint (November 14) poses very neatly the dilemma that confronts Europe's farmers. He points to the underlying rise in consumption of basic commodities, and suggests that it is inconsistent with the European Commission's attempts to put the brake on arable production in the Community.

He calls attention to the likelihood that world grain stocks at the end of this season will fall again – in spite of a better harvest in America and in Europe than was at one time feared. Yet in quoting the International Wheat Council (IWC) September market report, he ignores the short term world market position.

The IWC forecast is that the volume of grain traded on the world market will actually fall by 2 per cent in the 1989-1990 season, and the price index will also fall – from 1500 last year to 1460 this year. The message from that seems fairly clear. While basic demand may be rising, shortage of cash and infrastructure difficulties prevent this demand being turned into purchases.

In the meantime, within the EC, we have to live with the 1988 stabiliser package. This sets the figure for European production at 160m tonnes, and if European farmers produce above that level there are severe price penalties. 160m tonnes means that the EC has to export 25m tonnes to keep stock levels constant. That is broadly in line with its existing share of the world market.

For the last two years we have produced just over the 160m tonnes "maximum guaranteed quality," and therefore incurred the price penalties. Farmers' prices for grain have now dropped for five consecutive years.

This, coupled with inflation, has meant a very painful squeeze on margins; they are now almost zero.

Putting this short term scenario together with David Richardson's longer term analysis underlines the need for a flexible response. By the Commission's own figures we may well see a European Community harvest in excess of 170m tonnes in 1990. This would demonstrate – all too painfully for farmers – that the notion that existing policies are working "satisfactorily" rests on the flimsy foundation of chance.

To put it crudely, today's policies involve screwing farmers' margins until it is no longer economic to produce. As such they are bad for farmers' pockets and, through the present set-aside scheme, bad for the farmers' image in the eyes of the general public – as well as a wasted opportunity for conservation management.

David Richardson rightly laments the inflexibility of our bureaucratic and political masters. Sooner or later they will have to address themselves to much more positive supply and conservation management.

Simon Gourlay,
President, The National Farmers Union,
Agriculture House,
Knightsbridge, SW1

Fimbra's first principles

From Mr P.S. Knight.

Sir, While it might be easy to rejoice in Fimbra's (Financial Intermediaries, Managers and Brokers Regulatory Association) discomfort in its retreat from an entrenched position over the compulsory scheme for professional indemnity insurance, there are fundamental issues which other regulatory bodies would do well to take into account.

I believe that Fimbra has fallen into the trap of concentrating on insurance from the viewpoint of investor protection. This may be a factor indirectly, but the original purpose is, of course, the protection of the firms it seeks to regulate.

Professional bodies and regulatory organisations should encourage and even stipulate that their affiliated firms and members should insure their liability for acts of negligence, or arising out of the alleged dishonesty of employees. But they must always recognise that such cover can only be provided by insurers operating in a market-place; the desired conditions are always subject to what that market is willing or able to provide.

Many of the protagonists in the current controversy will recall the difficulties encountered by insurance brokers a few years ago, where in many cases the insurance market was unable to satisfy the statutory provisions of the Insurance Brokers Registration Act in relation to insurance. This gave rise to a number of disciplinary proceedings against firms over matters totally outside their control.

Given the volatility of financial markets, those regulatory bodies considering professional indemnity insurance would do well to adopt a flexible approach, and restrict their rules to making insurance compulsory up to a level related to turnover.

P.S. Knight,
Ingram House,
13/15 John Adam Street, WC2

National curriculum worries

From Mr D.C. Rigby.

Sir, Many head teachers are worried about aspects of the national curriculum. Take the problem of 4th and 5th year secondary curricula, where I believe the National Curriculum Council is trying to make the best of a poor package (based on a curriculum model popular 50 years ago).

Most comprehensive schools already have balanced courses consisting of a common core plus a series of five or six options from which pupils usually have to choose a humanity, a science and a technical or aesthetic subject.

The other two or three options enable schools to cater for individual needs and interests such as a double language provision, double technology, drama and music, and such desirable activities as community service. Balanced science courses are already giving pupils a more relevant science course which does not close career doors too early.

The new curriculum cannot be fitted into the normal week without artificial distortion, elimination of choice, integration, short courses, or other temporary arrangements. This so-called "broad balanced curriculum" will squeeze out traditional subjects such as classics, as well as the rich variety of courses developed over the last 20 years. A modern language would add to the congestion if there were sufficient qualified teachers available to teach it.

I hope that these practical difficulties will become obvious through the pressure of professional and parental opinion. The biggest objection to the national curriculum is its imposition from above and the consequent stifling of initiative and innovation at school level.

D.C. Rigby,
Headmaster,
Oakwood Comprehensive School,
Moorgate,
Rotherham, South Yorkshire

Dial-a-delay

From Mr J. Hadfield.

Sir, What a pity you did not include an address with Nicholas Ridley's name on his article on privatisation (November 6). If Mr Ridley thinks British Telecom has shown a ". . . dramatic improvement in the . . . quality of services" since privatisation, this can only reflect his insulation from the service by armies of secretaries who iron out telephone problems before he is troubled by them. Those of us at the sharp end of contact with BT know differently.

My high-tech telephone does nothing for frustrating delays caused by frequent failures of automatic exchange equipment, and every other number I seem to ring these days is in the process of being changed.

Recently I ran into another example of BT's "customers last" principle. In the course of my work in market research I have to use the telephone a great deal, often requiring BT's directory enquiries service to find 20 or 30 numbers at a time. Now I am told that I can only request 10 numbers a day – unless I apply to BT (in writing), and pay a service charge of £3 plus 20 pence per number. (One might as well expect Sainsbury's to make an entrance charge to its supermarkets.)

It is high time BT adopted Minitel, the French system, eliminating the printing and distribution of costly directories and the directory enquiries service. But of course there is no incentive to do so when most of its customers have no option but to take it or leave it.

J. Hadfield,
51 Torkington Road,
Hazel Grove,
Stockport, Cheshire

From Mr J.D. Sutherland.

Sir, Michael Skapinker's illuminating article on telephone behaviour (November 1) rings a necessary bell. Being put "on hold" by a surly telephonist is bad enough, but it is even worse to have to listen to muzak while you wait. Receptionists could so easily say: "Sorry, but X is not available at the moment. Can we ring you back as soon as X returns?" This suggests that the company cares about who rings, and will not easily let callers off the hook.

J.D. Sutherland,
41 Westella Way,
Kirkella,
Hull, Humberside

Who needs Sunday post collections anyway?

From Mr John Burbige.

Sir, In the face of yet more speculation about the Post Office reintroducing Sunday collections of mail, the time has come to ask what benefit this service will actually offer, and at what cost?

In its anxiety to woo back, and service, private consumers, the Post Office seems to be prepared to place its commercial customers at risk by antagonising its workers and diverting resources and investment away from those business users who provide a huge percentage of its income.

Just when it has begun to re-establish confidence in its ability to give a decent, uninterrupted service, the Royal Mail seems ready to jeopardise this continuity for the provision of an archaic facility, scarcely relevant to modern life, and of no interest to most of its customers.

I am amazed that it is prepared to endanger its currently high level of employee morale by asking workers to do such essentially unproductive work on Sundays. (I shall be interested to see to what extent this new level of industry is reflected in the attendance of senior Post Office managers at their desks on the Sabbath.)

Every penny and every "voluntary" hour spent on this misguided venture is a waste of resources which should be invested in continuing improvement of existing service. We expect to see our Post Office moving confidently into the future, not retreating into cosy Victorian security.

John Burbige,
SR Communications,
Childers Street, SE8

UK COMPANY NEWS

LWT wins approval for capital restructure plan

By John Ridding

LONDON WEEKEND Television yesterday overcame opposition from some institutional shareholders and won approval for its radical capital restructuring scheme aimed at retaining its franchise when the current licence expires in 1992.

The company's shares rose sharply on the news, closing 19p higher at 212p.

Several institutions voted against the scheme. But in the event the motion received a vote of 82 per cent in favour, exceeding the 75 per cent which was required.

However, if Prudential – which had expressed reservations about the scheme – voted its 6.4 per cent stake against the proposal, rather than abstaining, the margin of victory would have been less than one per cent.

Mr Christopher Bland, LWT's chairman, described the result as "a very good figure" and about the level the company had been expecting.

The scheme, which will go into effect on December 14, represents the most radical response so far to the challenge of retaining a UK commercial television franchise.

Existing shareholders receive a 130p per share payout, the financing of which will transform LWT's balance sheet from cash holdings of about £50m to borrowings of about £72.5m reducing the equity base by about 60 per cent.

At the same time, 44 top managers subscribe for unlisted management shares at about 83p each. These will convert into between one and four ordinary shares in 1993-94 depending on the performance of LWT's share price.

Mr Bland argues that the scheme will maximise LWT's chances of retaining its lucrative broadcasting franchise by tying in management and by allowing a higher franchise bid through the switch from equity capital into debt.

"The telephone calls and lunches have already started," he said, referring to the competition by potential franchise bidders to lure top executives.

LWT's restructuring has implications for the commercial television sector as a whole. Mr John Sanderson, broadcasting analyst at County Natwest, points out that to the extent that other television companies have similar institutional investors then the principle that shareholders will accept weaker balance sheets and lucrative management incentives may have been established.

TSW, the franchise holder for the south west of England, has proposed a similar scheme which will be voted on at the end of the month and a number of other contractors are considering schemes of their own.

LWT's scheme drew criticism from some investors. Pearl Assurance, Scottish Amicable and Eagle Star voted against the scheme because they objected to saddling the company with debt at a time of high interest rates and declining advertising revenues.

Pearl, which holds 5.4 per cent of the shares and which has been the most vocal critic of the scheme, said it was "obviously disappointed" by the outcome. However, it said it had no immediate plans to sell its holding.

Criticism has also focused on the potential rewards open to the members of the incentive scheme. Mr Bland, who will hold the largest number of management shares, will hold a paper profit of about £5m should the shares reach 278p by the conversion date.

"If the company's share price more than trebles the management will deserve outstanding rewards," said Mr Bland. "You must remember there is a downside. The participants are locking themselves in at a time of maximum potential marketability."

Goldberg drops to £4.6m loss and omits interim

A. Goldberg, the Scottish-based stores group which recently saw off an unwanted bid from Blacks Leisure, has fallen into a £4.58m loss before tax in the six months to September 23 and is passing the interim divided. The loss compares with an already depressed £344,000 profit in the first half of 1988/9.

The latest figures, however, were not too surprising given the warnings issued by Goldberg in the course of the Blacks bid. Although the defending group did not make any precise forecast, it did say that operating losses in the first five months of the year had been incurred at a higher rate than in the second half of 1988/9. In that period, it made an operating loss of £3.26m.

Yesterday's news, therefore, pushed the shares only 3p lower at 87p.

The pre-tax figure comes on sales of £24.5m (£24.7m), but this disguises a drop from £24.7m to £21.6m on the retail side, with the "design and source" division chipping in £2.89m.

Within the retail side, the Wrygges and Schuh chains saw sales down from £14.8m to £11.3m with Wrygges the gloomiest performer in profit terms. The traditional Goldberg stores had sales of £9.4m (£9.9m), and performed "relatively better".

The trading loss stood at £2.49m, but depreciation rose to £1.7m (£1.15m), and there was an interest charge of £393,000 (£137,000 surplus). There is, however, a tax surplus of £792,000, and the loss per share is 22.3p. Some £554,000 of bid cost defences are taken below the line.

Goldberg says it is making a thorough review of operations, and also announced that it has sold its Tollcross, Edinburgh site for a profit of £2.5m. After allowing for this, it says net asset value at end-September stood at 123p, compared with 133p at end-March.

Waddington slips as tough trading bites

By Andrew Hill

DIFFICULT TRADING conditions and disruption caused by reorganisation of its packaging activities hit profits at John Waddington in the six months to September 30.

Pre-tax profits slipped from £9.2m to £9.04m partly as a result of interest charges up from £676,000 to nearly £2m. Turnover rose from £96.7m to £118m and earnings per share were down to 8.49p (8.66p).

However, Waddington, best-known as the manufacturer of board games like Monopoly, has raised the interim dividend to 3.6p (3.4p).

Mr Victor Watson, chairman, said yesterday that the group hoped to reduce borrowings to some 40 per cent of shareholders' funds.

Packaging, the group's largest division, suffered from disruption caused by reorganisation at the UK and US plastics operations. Trading profits rose to £4.76m (£4.36m) on sales of £66.1m (£53.8m). Mr Watson said that the benefit of reorganisation would probably not be seen until 1990-91.

● COMMENT

There is a range of forecasts for the packaging sector – from downcast to doomladen. Analysts have downgraded projected profits for Waddington, in the same way that they have pulled back forecasts for such packaging mainstays as Bunzl, Bowater, and Low & Bonar. Waddington, like its higher volume, more vulnerable counterparts, is being squeezed from both sides by the increasing cost of raw materials and growing pressure on retail prices. There is no obvious solution, although Waddington's claims to be more resilient than some are probably correct: niche packaging, value-added business forms and hardy perennial boardgames are a strong combination. Pre-tax profits of some £19m including property gains, would put the shares – unchanged at 156p yesterday – on a prospective multiple of about 9. That and a reasonable yield will provide some support but on balance you're probably better banking the £200 when you pass Go.

Acquisitive Blenheim accelerates to £9.6m

BLENHEIM Exhibitions Group, the USM-quoted exhibition organiser, yesterday displayed the results of its rapid growth in continental Europe by boosting pre-tax profits from £4.1m to £9.6m during the year to August 31, writes Ray Bashford.

In a further European expansion move it also announced the purchase for £13.2m of Sopreme, the organiser of an exhibition for the domestic and international sub-contractingindustry.

In Belgium, Blenheim has acquired for £4m the Microtex and Softfair exhibitions for computer.

A final dividend of 9p raises the total to 13p (8p).

● COMMENT

Blenheim's dizzy pace of chasing acquisitions shows no sign of easing. The latest purchases are further indications that thecontinent will develop as an increasingly important profits centre, although a more determined drive into the US appears highly likely. By piling block on top of block through these acquisitions, Blenheim has been able to achieve an envious growth rate over a very short period of time. However, this does leave it vulnerable to minor quakes. The way it proceeds during the current 12 months and the shape of its accounts at year-end will be of interest to the increasing number of analysts watching Blenheim. A stamp of maturity could be earned if it succeeds in its attempt to gain a full listing after being a star performer on the USM. The shares firmed 5p to 920p, leaving them fully valued on a prospective p/e of 19.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Blenheim Exhibs§ ....fin	9†	-	5.6	13†	8
Brown Shipley ....int	4.5	-	4	-	10.5
Cater Allen ....int	5.37	-	5.37	-	23.5
Goldberg (A) ....int	nil	-	1.45	-	3
Shaw (Arthur) § ......int	1.3	Jan 4	1.1	-	3.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

THE FERRANTI AFFAIR

A reduction in gearing is the top priority

By Hugo Dixon

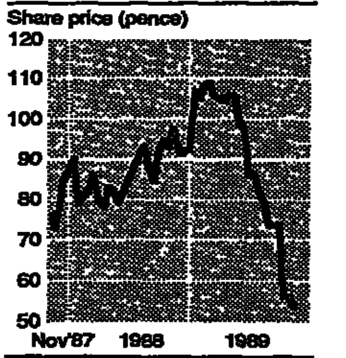
FERRANTI's revised accounts show that the troubled group has a gearing ratio of nearly 200 per cent. This underlines why the company's board feels the top priority is to get its debt level down to a more acceptable level.

If that debt level cannot be reduced with a reasonable time frame, there is a possibility that Ferranti's banks who have put together a temporary rescue package will call in their loans either in January when they next come up for review or at some later stage.

Sir Derek Alun-Jones, the company's chairman, says this is not a realistic possibility. "I don't see us under a time constraint. The company can manage on its facilities and pay its interest."

However, Ferranti's auditors pointed out that the new accounts are "drawn up on a going concern basis which is dependent on adequate bank facilities continuing to be made available for the foreseeable future. Should these facilities not be maintained, the group may be unable to finance its activities at their current level in which case

Ferranti



adjustments would have to be made to reduce the value of assets to their recoverable amount."

Sir Derek has set out two ways of reducing the debts – which are now about £370m compared to net assets of about £190m. The first involves selling off peripheral business, which it hopes will raise £100m. The second involves getting an injection of equity of £150m – preferably from an industrial partner willing to buy either part or all of the whole group.

The company says that it is still talking with a series of potential industrial partners. The only ones who have come out publicly are British Aerospace and Thomson of France, though others are thought to include Dowty of the UK and Daimler-Benz and Siemens – both of West Germany. It is uncertain, though, how much real enthusiasm there is to buy Ferranti. And it is doubtful whether the company will be able to realise £100m from the sale of peripheral businesses.

Ferranti stresses that the alleged fraud relates only to one subsidiary, ISC Technologies, not the rest of the group. Sceptics, though, wonder whether Ferranti's position is particularly strong. One worry is that, in its new accounts, the company has written off a further £14.4m because of higher costs relating to contracts that have nothing to do with ISC Technologies. A further is that Sir Derek has refused to comment on speculation that Ferranti's business as a whole may have made a loss during the first six months

Ferranti's challenge is, therefore, to persuade would-be suitors that its technological strengths and market positions are such that it is a highly attractive bride much in demand. Potential suitors, on the other hand, will probably be playing the opposite game, arguing that it is Ferranti which is in need of a husband not they who need a bride.

Gaping holes in the balance sheet

Charles Leadbeater on the clearer details of the alleged fraud

James Guerin (left), Ferranti's former deputy chairman, and Sir Derek Alun-Jones, chairman.

SIR DEREK Alun-Jones, Ferranti International Signal's battle-weary chairman, managed a chuckle when asked for his views on Mr James Guerin, the company's former deputy chairman, who is the central figure in the £215m alleged fraud which has hit the company.

"I am not a great one for believing in letting one's emotions come to the fore," he said.

Although Sir Derek's feelings towards Mr Guerin may never emerge, the outline structure of the suspected fraud is beginning to become clear.

Many of the details have yet to be uncovered. As the report from Ferranti's auditors attached to the company's accounts published yesterday says : "At this stage there is insufficient information available to us to determine in detail how the alleged fraud was implemented."

However there are tentative answers to five questions, which are central to the explanation of why one of Britain's leading companies plunged into a financial black hole, when in September 1987 it acquired International Signal and Control Group, the US defence contractor, and its subsidiary ISC Technologies Limited.

The alleged fraud centred on contracts ISC Technologies claimed in Pakistan, China and Nigeria, which, it transpired, did not exist. Under the guise of these contracts ISC Group made payments to non-existent sub-contractors.

Sir Derek disclosed yesterday that this chain involved a number of companies registered in Panama and Switzerland, many of which have subsequently been liquidated.

The channeling of money through this chain had two main effects.

Recycling the money maintained the illusion that the contracts were real. This artificially inflated ISC's assets and the profits attributed to the contracts and thus the company's net worth when Ferranti acquired it.

Sir Derek's statement in the revised accounts says ISC's balance sheet for March 1987 "purported to show a net worth of $320m, whereas we now believe that there was no net worth and the profits for that and earlier years were substantially inflated".

So Ferranti paid £420m for a company with no net worth.

The channeling cycle was broken at certain points to allow money to be syphoned off. Mr Charles Stewart, Ferranti's finance director, said about half the £315m purported value of the contracts was syphoned off as cash.

Ferranti said the alleged fraud began about six years ago, soon after ISC was listed on the Stock Exchange in late 1982. Most of the cash was syphoned off before the takeover. Mr Stewart said £12m went out after September 1987.

The only part of the group involved was the British-based ISC Technologies, which employed about 20 people to market ISC products.

Sir Derek resolutely refused to name names yesterday. However the directors' report goes as far as Ferranti has yet gone in public to single out Mr Guerin. It says: "Certain aspects of the ISC Technologies Limited suspected contracts which are still under investigation may have comprised contracts, arrangements or loans in which Mr Guerin and others had an interest."

Sir Derek said the money chain probably involved people in the US as well as the UK. There was no evidence that people in Pakistan, China and Nigeria were involved, although it could not be ruled out.

According to Sir Derek management problems at ISC began to emerge earlier this year. "There were problems with contracts where goods were not produced and the management of the business," he said

. That led to a move to get rid of Mr Guerin, who, it seems, responded by planning a boardroom coup against Sir Derek.

When asked about the issue Sir Derek said he was unaware of an attempted coup, adding "you might at least acknowledge it was unsuccessful".

Mr Guerin and Mr Clyde Ivy, another ISC director, left the Ferranti board on May 8. The board expected Mr Guerin's departure would improve the situation as Ferranti would be able to integrate ISC more rapidly.

Sir Derek insisted that only in August did it become clear that the managerial problems amounted to serious fraud.

The alleged fraud has eaten gaping holes into Ferranti's balance sheet, leaving it dependent on a medium-term refinancing package agreed this week with a consortium of 30 banks.

Combined with a £14.4m adjustment which mainly related to higher-than-expected development costs on an energy management system, group capital and reserves for 1989 have been almost halved at £192m. In addition restated pre-tax profits fell 77 per cent to £13.1m and the net profit, after extraordinary items, of £29.3m has been transformed into a loss of £0.8m.

The company was relying on the anticipated profits from the suspect contracts to gradually reduce the group's borrowings which were financing development work.

As he headed for his office Sir Derek allowed just a hint of emotion to come to the fore. "It has been a wearing two months."

RESTATED BALANCE SHEET

	(£m)
Value of fraudulent contracts	215.0
Adjustment to ISC net tangible assets at date of acquisition	(15.3)
Reduced tax	(25.0)
Additional adjustments for higher development costs for Ranger energy system	14.4
Dividend not now to be paid	(12.7)
Net reduction in reserves	176.4
Original statement of reserves in August 11 accounts	369.2
Reserves in restated accounts published yesterday	192.8

Figures did not show true and fair view

By David Waller

AN AUDITOR'S opinion, to be found near the back of a typical set of accounts, is on the face of it an innocuous affair. It is phrased in language of extreme blandness, offering shareholders the modest assurance that the figures under view are "true and fair" and that they comply with some basic accounting principles.

Just how important that statement is, and the extent to which it is relied upon by businessmen in the UK, emerged very clearly yesterday in Ferranti International Signal's revised set of accounts for 1989. The chairman's statement contains a chilling account of what can go wrong if the auditor's opinion is relied upon, and proves to be wrong.

The damning statements from Sir Derek Alun-Jones are as follows:

● "The assets and profits disclosed in ISC's audited accounts for the year ended 31 March 1987 were substantially inflated by the fraud and there is no doubt that as a result Ferranti paid far too much for ISC. The audited balance sheet of ISC as at 31 March 1987, purported to show a net worth of $320m, whereas we now believe that there was no net worth.

● "In summary . . . the audited accounts of the ISC group at 31 March 1987 did not show a true and fair view of that company's assets and liabilities; as a result Ferranti was induced to enter into a merger it would not otherwise have contemplated and paid far too much for ISC . . . and as a result of the merger, Ferranti International has had to recognise a substantial reduction in its net worth.

● "The company and its advisers held discussions with the management of ISC and its advisers prior to the merger which were at least as extensive as normal in such situations. We had no reason to doubt the validity of ISC's audited accounts and reliance was placed on the last audited accounts of ISC immediately prior to the merger and on the profit record of ISC as shown in its published accounts for the immediately preceding years. The general ability so to rely on audited accounts is fundamental to the conduct of commercial business."

Under the circumstances, it is not surprising that Peat, Marwick McLintock has offered to resign as joint auditor to Ferranti, and that this offer has been accepted. The firm was auditor to International Signal & Control from the time that it joined the Stock Exchange in 1982 until the merger with Ferranti in 1987, and joint auditor of Ferranti International, with Grant Thornton, thereafter.

Small firms of accountants often bemoan the fact that they are excluded from acting as auditors or reporting accountants when a company seeks a Stock Exchange listing. Investors, merchant bankers and brokers all like to see the name of a Big Eight firm like Peat Marwick in the relevant documentation, and in this way the City devolves some of its judgemental responsibilty on to the auditing firm. Their good name acts as a badge of respectability.

This phenomenon would have been exaggerated in the case of ISC. City suspicions would have been prompted by the fact that ISC had its origins as a Luxembourg-listed company, and that it chose to seek a listing in the UK rather than in the US, where it was domiciled but where listing requirement are more onerous.

Another factor was the intensely secret nature of the company's business, supposedly serving a handful of sensitive clients. The fact that Peat, Marwick, one of the most respected accounting names of all, had signed off the accounts meant that the market did not have to make up its own mind on the quality of the earnings.

It is worth remembering June 11 1987, when ISC put out the figures for 1986-87 that subsequently proved to be totally erroneous. ISC put out figures substantially below brokers' expectations. The shares fell by 25 per cent in one day.

The reason for the shortfall was cited as accounting problems. Mr Guerin, ISC's then chairman, said that the company's auditors had insisted that it adopt a more prudent approach to recognising revenue on the long-term contracts.

As Sir Derek observed at yesterday's press conference, he felt more confident of the 1986-87 figures in the light of the management's argument with the auditors. This seemed like evidence that Peats had identifed lax accounting practice, and had the necessary courage and authority to force through embarrassing, last-minute adjustments.

Many accountants will feel a good deal of sympathy for Peats. For a start, it is axiomatic that fraud is difficult to detect if there is collaboration between management and others outside the company. In the context of ISC, auditors would have to place more reliance than usual on the say-so of management.

However, one wonders the extent to which this was identified as an risk by the Peats audit team, and to what lengths the firm went to establish third party verification of the figures from the sensitive contracts.

It is unlikely that the commerical world in general will feel much sympathy for the firm, for the simple reason that the figures it endorsed have subsequently proved to be manifestly less than "true and fair".

Large accountancy firms carry substantial amounts of professional idemnity insurance and the chances that Peat Marwick will face litigation over this affair must be high.

Ex-BAA chief executive for same role at De La Rue

By Andrew Hill

MR JEREMY MARSHALL is to join De La Rue, the banknote printer, as chief executive, attracted by the prospect of greater freedom than he enjoyed in the same role at BAA, the former British Airports Authority.

In August Mr Marshall, a former Hanson executive, left BAA abruptly amid rumours that he had clashed with the company's chairman, Sir Norman Payne.

Mr Marshall refused to comment on his resignation from BAA yesterday, but he said: "I started talking to De La Rue among others shortly after that. What I was looking for was an opportunity where I had the space to work effectively."

Mr Peter Orchard, De La Rue's chairman, said he was "as pleased as Punch" that Mr Marshall had accepted the job: "He is very nice and he is very tough – and that's a good combination."

De La Rue had been looking for a new chief executive since June when Mr Brian Malpass resigned because of ill health. The head-hunters had to be called off during the summer when Norton Opax, the specialist print and packaging group, launched a hostile bid. That was withdrawn after Bowater Industries itself mounted and won a bid for Norton.

But analysts still believe De La Rue, which announced a sharp drop in 1988-89 profits earlier in the year, is vulnerable to a takeover, mainly because Mr Robert Maxwell owns or controls 22 per cent of the company. His principal interest in De La Rue was Crosfield Electronics, its printing technology business, which was one cause of the profits slump last year. The subsidiary was sold in July despite Mr Maxwell's opposition.

Jeremy Marshall, left, chief executive designate, with Peter Orchard, chairman of De La Rue

Mr Marshall said yesterday he was undeterred by the presence of the unpredictable publisher on De La Rue's share register.

"There is a very strong core business at De La Rue which has rather been overshadowed by the difficulties they have had at Crosfield. I believe that it can be brought out, given the sort of teamwork and discipline that I've been accustomed to at Hanson," he said.

He would not be drawn on whether his salary – which is likely to consist of a package of benefits – would exceed the £170,000 to £175,000 annual wage he received at BAA.

Mr Marshall, who will start at his new post next week, said: "Obviously I wouldn't be going if there wasn't a very fair package."

"He doesn't come cheap," confirmed Mr Orchard, "and he's not going to suffer."

UK COMPANY NEWS

Something for nothing

Clay Harris looks at BTR's experiment of issuing free warrants

TRADING begins on Monday in the second annual free issue of warrants by BTR, the industrial conglomerate which is one of Britain's largest companies. If the success of last year's warrants is anything to go by, BTR shareholders have every reason to believe the best things in life are free.

BTR's first issue of warrants opened at 55p last November 18; a holder who sold at their high point of 252p on September 1 would have received nearly five times as much, although the warrants have now fallen back to 175p. Over the same period, BTR's ordinary shares were only 72 per cent above their starting point when they peaked at 484p.

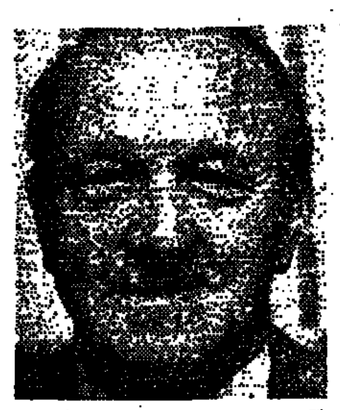
All in all, it has been a resounding vindication for the BTR experiment. Warrants themselves – conferring the right, but not the obligation, to subscribe for shares at a fixed price on specific future dates – are no novelty.

Investment trusts have long both sold warrants and given them to shareholders in the never-ending quest to narrow the gap between net asset value and share price. Many companies have sold them in tandem with ordinary shares; Eurotunnel is a prominent example. And several US investment banks have issued "covered warrants" on leading UK companies in the past year.

Where BTR broke new ground last year was in giving investors one warrant for every 33 shares they owned, the same basis as the latest issue. Sir Owen Green, chairman, said he was trying to call attention to the shares' "forward value."

The warrants have the added benefit of acting as what Sir Owen describes as a "rolling rights issue." The first issue (exercisable at 285p) will raise £150m in 1992-93, the second (at 480p) £260m in 1993-94. But whereas a rights issue would have to be launched at a discount to the prevailing market price, the warrant exercise price was set at a premium.

UK companies, apart from investment trusts, are limited by Stock Exchange rules to having outstanding warrants for only 10 per cent of issued share capital. Sir Owen intends to carry on issuing warrants until the ceiling is reached.



Sir Owen Green: trying to call attention to shares' forward value

The only company so far to follow BTR's lead went all the way at once. Ibstock Johnsen, the brickmaker, is making a one-for-10 issue on December 1. "We want there to be a decent liquid market," says Mr Ian MacLellan, Ibstock's joint managing director.

Ibstock, which stands to raise £34m when its warrants are exercised at 170p, is deliberately trying to appeal to private rather than institutional shareholders, says Mr MacLellan. "It's a good opportunity for people to take a view about the company over a longer period than a year."

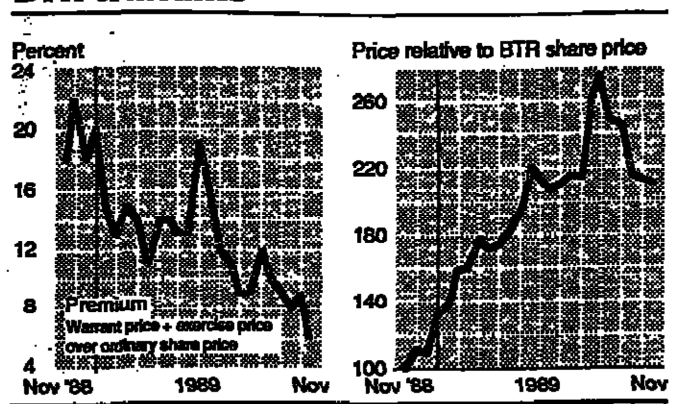
On a more modest scale, Arlen, a small manufacturer of electrical accessories and lighting fixtures, is poised to join its bigger brethren with a one-for-13 warrant issue which would raise about £1m between 1990 and 1994. Arlen's proposed warrants are subject to shareholder approval of a simultaneous share subscription by an outside investor.

If the underlying shares rise past the exercise price, the recipient of a free warrant cannot lose. But warrants also throw up trading opportunities for the more adventurous.

The two figures to to watch carefully are the percentage premium at which the market price of the warrants plus the exercise price stands over the market price of the shares and the gearing ratio implied by an investment in the warrants rather than the shares.

For an investor who wants to trade back and forth between warrants and the underlying shares, the goal is to switch from warrants to shares when the premium is high and the other way when it is low.

BTR Warrants



The premium, of course, reflects only the relationship between the two prices, not whether both are going up or down. It will be faint compensation to pick the relative winner of two losers.

The prices of warrants and shares will almost always move in the same direction, but not at the same velocity. Because warrants are a more highly geared investment, they will outperform a rising share price, but fall more swiftly than a declining share price.

The issue of warrants allows shareholders a choice of two ways to maintain an interest in a fixed number of shares in the company. They can retain the ordinary shares and get the benefit, they hope, of capital growth and a growing stream of dividend income.

Or they can sell their shares and buy the same number of BTR warrants and re-invest the surplus proceeds at a fixed rate of interest. The calculation to be made here is whether the higher income from the fixed-rate investment will exceed the expected dividend growth from the ordinary shares and still make up for the premium that has been paid for the warrants.

A more aggressive approach would be to sell the ordinary shares and invest all the proceeds in warrants. Because of the lower price of warrants, this would give the investor a future interest in a much higher number of shares. He would forgo all dividend and interest income in the meantime, and if the warrants were held to maturity would have to come up with the exercise price, but if the shares continue to rise, the warrants should continue to outperform.

It is important to remember, however, that as the exercise date approaches, the premium will disappear. The warrant price plus the exercise price will end at parity with the ordinary shares. Although trading opportunities may remain, any purchase of options within six months of the exercise date should be approached extremely warily.

Although there have been healthy trading volumes in BTR's warrants, small shareholders who want to sell still might find dealing costs disproportionately high. Last year, for investors receiving a "trivial" number of warrants, BTR arranged for Cazenove to make a temporary market at a nominal charge. Some 1m warrants changed hands in this forum, which may be repeated this year.

Mr Mike Smith of James Capel believes BTR's new issue could open on Monday at anywhere between 70p and 100p. The fact that many institutions missed their chance at the early stages last year argues for the higher figure. But many, overreacting to that oversight, bid up Hanson's warrants (issued in its takeover of Consolidated Gold Fields) at the outset only to see them fall by nearly half before recovering partway. Burnt fingers could point to a lower start for the new BTR warrants.

Brown Shipley extends recovery into first six months

By David Lascelles, Banking Editor

BROWN Shipley, the City of London merchant banking and financial services group, extended its recovery from recent troubles by reporting sharply higher interim profits yesterday.

The group said consolidated pre-tax profits for the six months ending September 30 were "higher than for the whole of last year", though it gave no details. Last year, Brown Shipley earned only £2.95m before tax as it cut back on loss-making operations.

Mr John van Kuffeler, chief executive, said all the main divisions shared in the improvement. The bank raised pre-tax profits by 35 per cent, banking assets were up 25 per cent, and treasury operations were back in profit. Leasing activity, development capital and the Jersey business were also expanding.

The insurance broking divisions produced significant profit growth , and the investment management and stockbroking side benefitted from healthier stock markets to show an encouraging recovery.

However Mr van Kuffeler said that while the second half had started well, the uncertainties facing the stock market implied a need for caution, particularly on the securities side. Nonetheless, directors feel confident about the outcome for the full year and have declared an interim dividend of 4.50p, up from 4p.

Cater Allen profits 'significantly higher'

By David Lascelles, Banking Editor

CATER Allen Holdings, the discount hosue and financial services group, reported yesterday that it had made "a good profit" in the half year to October 31. It gave no details, but said the interim result was "significantly larger than in the equivalent period last year".

The interim dividend remains unchanged at 5.37p.

Mr James Barclay, the chairman, said that the discount house had managed to make money despite the recent increases in interest rates, but the gilt-edged market making side lost money.

Among Cater's other businesses, its Lloyd's insurance operations, and those in Jersey and the financial futures exchange performed well, he said. The stock exchange money broking company, acquired last year, also produced a good profit.

Rutland sets up company for mezzanine finance

By Paul Cheeseright, Property Correspondent

RUTLAND TRUST, the financial services group, and Mealey Horgan, specialists in arranging property finance, have set up a new company to provide mezzanine finance for property companies.

The new company, which is backed with finance from Bank of Ireland, GE Capital, Brown Shipley and Barclays de Zoete Wedd, intends to involve itself in projects valued up to £15m. It will provide funds to top up financial packages but on a higher margin than the first lender and in exchange for some equity in a project.

In the face of a more cautious attitude by banks to property lending, the demand for mezzanine financing is strong.

Rutland Trust is in the London & Edinburgh Trust group.

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

- First Dealings Nov 6
- Last Dealings Nov 17
- Last Declarations Feb 8
- For settlement Feb 19

For rate indications see end of London Share Service

Calls in Tusker Res., S.W. Wood, UK Paper, UTC Gp., Eurotunnel Warrants, Mecca Leis., Butte Mining, Lon. & Edinburgh Tst., Premier Cons., Owners Abroad, Mount Charlotte, Fed. Housing.

MARKET STATISTICS

ECONOMIC DIARY

TODAY: European Community emergency summit in Paris to discuss changes in Eastern Europe - those attending include Mr Franç ois Mitterrand, French President; Chancellor Helmut Kohl of West Germany; Mr Jacques Delors and Mr Frans Andriessen, Commission President and Vice President. The twelve EC Foreign Ministers will also meet in Paris in parallel with the heads of Government. Communist Party of Great Britain 40th congress opens, Caxton House, London (and tomorrow).

TOMORROW: Confederation of British Industry (CBI) conference opens (until November 21), Harrogate. Post Office restarts Sunday collections in Edinburgh, Darlington, Newcastle, Cardiff and Northern Ireland. National Savings results for October. Mr Li Peng, the Chinese Prime Minister, starts three-day visit to Nepal.

MONDAY: Third quarter provisional figures of manufacturers' and distributors' stocks from the Central Statistical Office. London and Scottish banks' monthly statement for October. Bank of England publishes October provisional estimates of monetary aggregates. European Parliament session opens in Strasbourg (until November 24). EC Agriculture Ministers start two-day meeting in Brussels. Ford unions met on pay talks. Sir Leon Brittan, Mr Michael Portillo, Transport Minister, and Mr Chris Patten, Environment Secretary, address CBI conference. Mr Cecil Parkinson, Transport Secretary, launches sale of attractive vehicle numbers. Post Office statement on new mail facility. Ethiopian Government and Eritrean rebels open second round of peace talks, Nairobi.

TUESDAY: State opening of Parliament (first televised session of House of Commons, 2.30 pm). Third quarter preliminary figures from the CSO for gross domestic product (output-based). Mr Norman Fowler, Employment Secretary, speaks at CBI conference. Hinkley Point nuclear power station enquiry, Cannington. BAA interim results.

WEDNESDAY: September provisional figures for new construction orders from Department of the Environment. Indian general election. TUC general council meets. Labour Party national executive meets. Water flotation price announced. Mr Norman Fowler, Employment Secretary, speaks at dinner marking winding up of National Association of Port Employers.

THURSDAY: Balance of payments current account and overseas trade figures for October from the CSO. EC internal market council meets, Brussels. OPEC's eight-minister market monitoring committee meets in Vienna. Sir Geoffrey Howe speaks at Institute of Directors annual dinner. Science and Engineering Research Council publishes annual report.

FRIDAY: Mrs Margaret Thatcher, the Prime Minister, meets US President George Bush at Camp David. Building societies monthly figures for October. CSO publishes October cyclical indicators for the UK economy: September engineering sales and orders at current and constant prices; third quarter provisional figures for finished steel consumption and stock changes. Officials from 24 Western countries meet in Brussels to co-ordinate aid programme for Poland and Hungary. Dealings start in Harry Ramsden fish & chip restaurant shares.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 45,456

A=Ask B=Bid C=Call P=Put

BANK RETURN

BANKING DEPARTMENT	Wednesday November 15, 1989		Increase or decrease for week
	£		£
LIABILITIES			
Capital	14,553,000		
Public Deposits	54,273,140	-	8,264,316
Bankers Deposits	1,576,907,987	-	35,229,634
Reserve and other Accounts	2,326,336,114	+	94,903,071
	3,971,070,191	+	51,409,121
ASSETS			
Government Securities	1,606,506,534	+	107,680,000
Advance and other Accounts	1,118,585,623	+	62,572,647
Premises Equipment & other Secs	1,234,234,918	-	125,798,519
Notes	11,566,076	+	6,918,610
Coin	197,040	+	36,383
	3,971,070,191	+	51,409,121
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	16,068,433,924	+	23,081,390
Notes in Banking Department	11,566,076	+	6,918,610
	15,080,000,000	+	30,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	12,451,012,547	-	434,805,832
Other Securities	2,617,972,353	+	464,805,832
	16,080,000,000	+	30,000,000

BASE LENDING RATES

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Friday November 17 1989

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Thu Nov 16 Index No.	Wed Nov 15 Index No.	Tue Nov 14 Index No.	Year ago (approx) Index No.	1989 High		1989 Low		Since Compilation High	Since Compilation Low
67	Insurance (Brokers) (7)	1081.13	+0.8	6.97	5.81	19.09	45.26	1073.02	1068.34	1083.05	896.44	1096.86	8 /11	916.69	3 /1	1399.56 17/7 /87	65.66 16/12/74
68	Merchant Banks (11)	427.22	+0.8	–	3.96	–	9.70	423.67	422.25	423.49	339.74	427.69	10/11	318.05	3 /1	547.59 12/10/87	31.21 7 /1 /75
69	Property (49)	1166.85	–0.3	7.77	3.61	16.28	23.34	1170.45	1172.37	1177.40	1261.38	1390.87	5 /9	1126.55	17/10	1398.87 5 /9 /89	56.01 20/4 /65
70	Other Financial (30)	322.99	+0.3	12.64	6.64	10.37	14.48	321.89	321.24	321.53	359.80	391.49	8 /2	304.56	16/10	683.48 16/7 /87	33.29 17/12/74
71	Investment Trusts (69)	1211.17	+0.2	–	2.87	–	22.73	1208.61	1204.75	1207.98	929.91	1288.84	8 /9	922.04	3 /1	1288.84 8 /9 /89	71.12 13/12/74
81	Mining Finance (1)	687.75	–0.4	10.85	3.92	10.35	22.25	690.32	696.73	703.15	578.11	754.47	8 /9	561.50	3 /1	754.47 8 /9 /89	66.31 30/9 /74
91	Overseas Traders (7)	1385.95	+0.2	9.97	5.83	11.49	54.79	1383.56	1384.84	1400.89	1420.93	1543.93	8 /9	1255.90	17/10	1543.93 8 /9 /89	97.37 6 /1 /75
99	ALL-SHARE INDEX (698)	1115.15	+0.5	–	4.46	–	33.23	1110.00	1107.17	1112.56	951.59	1225.80	5 /9	921.22	3 /1	1238.57 16/7 /87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 16	Nov 15	Nov 14	Nov 13	Nov 10	Year ago	1989 High		1989 Low		Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2221.4	+11.6	2223.5	2212.5	2209.8	2203.4	2214.7	2213.2	2216.7	1823.4	2426.0	5 /9	1782.8	3 /1	2443.4 16/7 /87	986.9 23/7 /84

FIXED INTEREST

	PRICE INDICES	Fri Nov 17	Day's change %	Thu Nov 16	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.65	–0.17	116.84	–	10.50
2	5-15 years	129.69	–0.38	130.19	–	11.60
3	Over 15 years	137.90	–0.57	138.69	–	12.71
4	Irredeemables	155.76	–0.77	156.97	–	13.42
5	All stocks	127.83	–0.34	128.26	–	11.52
	Index-Linked					
6	Up to 5 years	140.13	–0.06	140.20	–	2.79
7	Over 5 years	138.51	–0.20	138.78	–	3.21
8	All stocks	138.51	–0.19	138.77	–	3.15
9	Debentures & Loans	107.36	–0.28	107.67	–	9.39
10	Preference	85.51	–0.01	85.52	–	5.26

	AVERAGE GROSS REDEMPTION YIELDS		Fri Nov 17	Thu Nov 16	Year ago (approx.)	1989 High		1989 Low	
	British Government								
1	Low	5 years	10.05	9.97	9.88	10.48	11/10	8.88	9 /2
2	Coupons	15 years	9.76	9.71	9.33	9.78	17/11	8.77	9 /2
3		25 years	9.71	9.62	8.97	9.71	17/11	8.73	16/2
4	Medium	5 years	11.20	11.10	16.25	11.33	14/6	9.96	8 /2
5	Coupons	15 years	10.17	10.09	9.57	10.28	14/6	9.21	8 /2
6		25 years	9.82	9.75	9.22	9.82	17/11	8.35	17/2
7	High	5 years	11.32	11.22	10.40	11.44	14/6	10.13	8 /2
8	Coupons	15 years	10.38	10.30	9.68	10.49	14/6	9.41	8 /2
9		25 years	9.96	9.89	9.25	9.99	14/6	8.99	27/1
10	Irredeemables†		9.78	9.69	8.91	9.78	17/11	8.68	15/3
	Index-Linked								
11	Inflation rate 5%	5yrs.	3.67	3.51	3.23	4.10	13/10	2.75	21/8
12	Inflation rate 5%	Over 5 yrs.	3.66	3.61	3.69	3.84	5 /6	3.41	21/8
13	Inflation rate 10%	5 yrs.	2.76	2.72	2.01	3.30	2 /6	1.91	21/8
14	Inflation rate 10%	Over 5 yrs.	3.47	3.46	3.51	3.67	5 /6	3.23	21/8
15	Debs &	5 years●	12.59	12.60	11.19	13.82	3 /11	11.47	30/12
16	Loans	15 years●	12.01	11.97	10.96	12.49	13/10	11.19	1 /2
17		25 years●	12.01	11.97	10.72	12.01	17/11	10.66	27/2
18	Preference†		10.73	10.73	10.28	10.73	17/11	10.08	17/3

‡Opening index 2212.5; 10 am 2217.5; 11 am 2219.1; Noon 2219.7; 1 pm 2219.4; 2 pm 2219.2; 3 pm 2219.4; 3.30 pm 2221.1; 4 pm 2223.3 (a) 4.24pm (b) 9.00am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 32p.
CONSTITUENT CHANGES: Armstrong Equipment (9) and DRG (31) have been deleted and replaced by Kwesick (29) and Eurocopy (48).

KKR prestige hit as SCI heads towards Chapter 11

By James Buchan in New York

KOHLBERG KRAVIS Roberts, the New York firm which has dominated the leveraged buy-out business for more than a decade, faces a stinging blow to its prestige as the odds mounted that one of its companies would take refuge in bankruptcy.

SCI Television, a Nashville-based company which owns six television stations, confirmed yesterday that a group of bondholders had filed a petition to force it into involuntary bankruptcy as a prelude to liquidation. The suit was filed by three small bondholders led by S.N. Phelps, a suburban New York firm specialising in distressed securities, which is claiming interest on $170,000 it owns of an SCI junk bond.

Wall Street analysts said yesterday that SCI TV, which is struggling under $1.3bn in debt taken on in a Kohlberg Kravis leveraged buy-out, will almost certainly choose to enter the courts voluntarily under Chapter 11 of the federal bankruptcy law.

The suit against SCI TV is the latest brush-fire to break out in KKR's far-flung industrial empire. In the summer, KKR was forced to restructure its $350m leveraged buy-out of a New York furniture company, Seaman Furniture, and it has announced that its $3.3bn leveraged buy-out of the Jim Walter housebuilding company must be restructured.

The involuntary bankruptcy filing also shows how far the central authority in the financing of leveraged buy-outs wielded by the Wall Street firm of Drexel Burnham Lambert has broken down. Drexel Burnham's master financier, Mr Michael Milken, is under indictment for securities fraud and has been unable to exercise his habitual iron control over investors in his deals. Said Mr Davis: "When the juggler walked away, the balls all fell to the ground."

SCI Television is actually the result of a second leveraged buy-out of a company once known as Storer Communications. Kohlberg Kravis, which bought Storer in 1985, releveraged it two years later and brought in an outside investor in the form of Mr George Gillett, a Nashville entrepreneur, so it could take $1bn in cash out. Wall Street analysts believe bankruptcy will cost the unfortunate Mr Gillett his whole investment, thought to be over $100m. KKR, which has already profited on the deal, mainly loses its reputation for financial adroitness.

SCI Television was quoted as saying yesterday the filing was an unfortunate diversion from "constructive discussions" with a steering committee creditors holding 95 per cent of its publicly traded bonds.

These include such big 33 financial institutions as Kemper Financial Services and Prudential Insurance as well as companies famously associated with Mr Milken such as Columbia Savings & Loan, a Beverly Hills thrift institution. Mr Lane also said that Phelps was considering a lawsuit for fraudulent conveyance against the parties responsible for the 1987 deal. These parties apparently include Kohlberg Kravis and Drexel Burnham.

Koor seeks additional $125m write-off

By Hugh Carnegy in Jerusalem

KOOR INDUSTRIES, the embattled Israeli conglomerate, yesterday announced it was seeking an additional write-off from its creditors of $125m only months after they agreed to a rescheduling and recovery plan for the group which staved off a liquidation suit brought by Bankers Trust of New York.

The write-off request was part of a revised recovery plan produced by Koor following the emergence of huge, previously unheralded losses in its biggest subsidiary, Tadiran, that brought completion of the June rescheduling deal grinding to a halt. The revised plan projects a group net loss this year of Shl 328m ($165m), compared with Shl 372m last year, and will set off a new round of difficult negotiations with and between Koor's creditors with the company's fate in the balance.

"It's a new situation," said an Israeli banker. "It seems their financial position is much worse than in the original plan. The banks will have to reassess their positions towards Koor."

Koor, owned by the Histadrut trade union federation and the country's biggest industrial concern, said Tadiran, which makes military and consumer electronics, accounted for Shl 134m of the 1989 group loss – the rest coming from restructuring and debt costs. Excluding Tadiran, which is slated to be sold, there was an operating profit of $90m which, under the revised plan, should double over the next five years.

But servicing group debt currently standing at Shl bn – excluding Tadiran – depends on the requested write-off and the raising of a projected $135m from the sale of Tadiran and a further $60m from other asset sales. This is on top of more than $100m already raised in asset sales. Failure would also tip Koor's debt/equity ratio – precariously perched for some time – over the 3:1 level above which some $100m of bonds issued in the US could be called in.

Even if the plan manages to convince Koor's creditors of the company's viability, there is likely to be a hard battle between them over the terms of a revised rescheduling agreement. The Israeli banks, which hold about two thirds of the Koor debt, now feel they gave too much away in the June deal to their foreign counterparts who accepted no write-off and were to have all their short-term debts secured and repayed by the end of 1992.

Mitsui leads general trading groups

By Ian Rodger in Tokyo

MITSUI AND CO displaced C. Itoh as the top Japanese general trading company in terms of revenues in the six-month period to September 30. It was the first time in 23 years that Mitsui had taken the lead, partly as a result of robust sales of gold ingots.

Mitsui said gold ingot sales accounted for 17 per cent of overall sales, reflecting the growing popularity of securities companies' high-yield gold savings accounts.

For the full year, the company is forecasting a pre-tax profit of Y62bn ($431m). The company is scheduled to pay Y78bn in the second half to dissolve the ill-fated Iran Japan Petrochemical project. However, it has a Y48bn provision for the loss and expects a tax refund of about Y25bn due to the failure of the project.

TRADING COMPANIES' RESULTS (Ybn)
Half year to September 30

Company	Revenue	% rise	Pre-tax	% rise	Net income	% rise
Mitsui	9,378.7	32.6	32.2	37.7	13.3	76
Sumitomo	9,259.7	30.5	32.5	29.5	16.3	20
C Itoh	8,851.2	14.5	27.1	14.9	9.3	42.7
Mitsubishi	7,739.4	23.3	48.6	11.0	19.2	19.2

Mitsubishi said income from domestic transactions rose 11.2 per cent to Y3,366.7bn, with metals and machinery showing strong rises. Revenues from international operations grew 34.6 per cent to Y4,371.7bn.

The company is boosting its interim dividend to Y4.5 per share, by adding a Y1 commemorative dividend. For the full year, Mitsubishi is forecasting a pre-tax profit of Y80bn, up 9.7 per cent.

Sumitomo's growth in sales and profits were attributed to increased domestic demand and a capital spending boom by corporate customers.

The metal division sales rose 64.5 per cent, mainly because of lively dealing in precious metals. Export revenues were up 63.9 per cent while import revenues grew 63.2 per cent. Sumitomo is raising its interim dividend by Y0.5 per share to Y4. For the full year, it forecasts a pre-tax profit of Y67bn, up 21.2 per cent.

C. Itoh said sales were boosted by a 51.6 per cent rise in imports. Exports dropped 2.4 per cent and domestic business posted a marginal 1.4 per cent gain. For the full year, the company estimates that its pre-tax profit will reach Y55bn.

Japanese builders warn over labour costs

By Robert Thomson in Tokyo

JAPANESE construction companies have reported significantly higher half-year profits, but warn that rising labour costs fuelled by a labour shortage could temper longer-term profit growth despite a continuing increase in new orders.

Some companies have declined to take public works contracts in recent months because rising costs have made the fixed-price work unprofitable, but companies concentrating on housing have benefited from growing consumer demand for larger and more luxurious homes.

Taisei Corp, one of the largest general contractors, yesterday reported a 37.5 per cent increase in pre-tax profit to Y28.4bn for the first half to end September after a 14.2 per cent advance in sales to Y624.7bn.

Orders rose 12.4 per cent to Y833.9bn during the period, and company officials said demand for new plant and expansion of projects already planned had influenced profit growth.

For the full year, the company expects a pre-tax profit of Y56bn, up 32 per cent, on sales of Y1,400bn, an increase of 10 per cent.

Kumagai Gumi, which has a particularly strong presence in foreign markets, reported an 11.6 per cent increase in pre-tax profit to Y15.1bn for the first half on a 7.3 per cent increase in sales to Y485bn.

The company said strong growth in civil engineering work contributed to the earnings growth, but warned that the increase was likely to slow because of higher labour costs. Kumagai reported a foreign exchange gain during the period of Y1.7bn, compared with a loss of Y500m during the preceding period.

Ohbayashi, another construction company with long-established foreign contacts, announced a 32.1 per cent increase in pre-tax profit to Y16.8bn, which the company said was fuelled by private sector investment.

Sales for the six months rose 7.6 per cent to Y434.4bn, and the company expects a full year pre-tax profit of Y49bn, up 48.9 per cent, with sales of Y1,160bn, a 22.8 per cent increase.

Fujita Corp, prominent in Tokyo development, reported a 25.1 per cent increase in pre-tax profit to Y14.5bn on sales of Y299bn, up 22.5 per cent, for the first half. The surge in profits was attributed to heavy demand for condominiums and office buildings in the Tokyo area.

Orders received during the period were up 30.8 per cent, while the order backlog rose 16.5 per cent to Y794.2bn. For the full year, the company expects a pre-tax profit of Y30bn, revised upwards from an earlier estimate of Y28.5bn, and well up on last year's Y25.9bn.

GE plans 20% stock buy-back

By Roderick Oram in New York

GENERAL ELECTRIC, the diversified US industrial and financial services group, said yesterday it planned to buy back up to $10bn of its stock, nearly 20 per cent of its total equity, over five years.

It said it was confident its 13 main lines of business, ranging from aircraft engines to broadcasting, would generate sufficient earnings over the next decade for further investment and acquisitions, higher dividends and the repurchase of the equity through a combination of cash and debt.

"We've looked at all the best alternatives and reached the conclusion that GE stock is the best investment we can make," said Mr John Welch, chairman.

GE also announced a 15 per cent increase in its quarterly dividend to 47 cents a share beginning in January. The company has increased its dividend every year since 1975.

Its stock rose only $2 to $59 on the news because the markets had been expecting GE to raise its dividend and take other steps to benefit shareholders. The three big US electrical equipment makers – GE, Westinghouse Electric and Emerson Electric – are all generating strong cash flow which they need to deploy, said Ms Candice Eggerss, a Morgan Stanley analyst.

GE said it would buy the shares from time to time in the open market as conditions allowed. It would alter the pace of the programme to maintain GE's financial standing if economic conditions, a multi-billion dollar acquisition or other factors intervened.

Both Standard & Poor's and Moody's said they would maintain their triple A ratings on GE's senior debt because the company had adequate financial resources for the buy-back.

The buy-back is one of the largest in the US market, ranking with similar-sized purchases by Exxon and International Business Machines.

GE has undergone a drastic revamping under the leadership of Mr Welch since he became chairman in 1981. It has cut its workforce by around 25 per cent to 300,000, divested slow-growing businesses such as housewares and televisions and moved into investment banking, broadcasting and new high-technology areas of manufacturing.

For the first nine months of this year, net profits were up 16.4 per cent to $2.77bn, or $3.06 a share, from $2.38bn, or $2.63, a 73 year earlier.

Solvay to reshape German side

By Tim Dickson in Brussels

SOLVAY, the leading Belgian chemcials company, announced plans last night to regroup its West German interests into a new holding company in an operation expected to yield substantial tax benefits and increase the financial resources of the parent group.

The plan involves setting up Solvay Deutschland, with initial capital of more than DM400m and its acquisition of the "majority of the equity capital" of Deutsche-Solvay-Werke (DSW), currently 100 per cent owned by Solvay group companies. As a result Solvay Deutschland will, indirectly, control Kali-chemie, currently 89.7 per cent owned by the Solvay Group, and will launch an offer of DM550 per share for the stock which it does not already own.

A statement said the price was in line with "experts' conclusions", though it does not "reach the speculative levels of the last few weeks." Kali-Chemie shares were earlier suspended at DM650.

It was understood last night that the details of the (DSW) transfer have not been finalised – but it is clear that the new German holding company will finance the acquistion at least partly through additional borrowing.

Solvay said that "from a financial point of view the effects of the operation will be to optimise the tax situation of the group in West Germany and to provide Solvay in Belgium with significant financial resources resulting from the sale." A spokesman declined to disclose the value placed on DSW.

Shareholders vote for MBB takeover

By Andrew Fisher in Frankfurt

THE FINAL obstacle to West Germany's largest and most controversial takeover was removed yesterday, when the shareholders of Messerschmitt-Bölkow-Blohm (MBB), which include three regional states, agreed to Daimler-Benz taking a majority stake.

Daimler, the car and truck group which has moved into electronics, engines, and aerospace, intends to absorb MBB as part of its ambition of developing into a broadly-based technological concern.

The West German Government first promoted the idea of an MBB takeover by Daimler shed some of the burden of supporting the European Airbus consortium, of which MBB is a member. The final go-ahead from Bonn came in September. Daimler can now keep to its timetable of acquiring a 50.24 per cent stake at a cost of nearly DM1.7bn ($920m) at the start of 1990.

Pioneer sells Giant's Canadian assets

By Chris Sherwell in Sydney

THE DISPOSAL of all mining interests by Pioneer International, the Australian building materials and resources group, is under way with the announcement yesterday of a A$230m (US$180m) sale of Canadian assets held by Giant Resources.

Giant is 42.5 per cent owned by Pioneer, which announced the minerals disposal plan in a big change of corporate strategy in September. It was then estimated that the sales would realise some A$400m to A$500m. According to yesterday's announcement, Giant has entered into a letter of intent for the sale of its Canadian assets to Frame Mining of Toronto, which owns 46.3 per cent of Curragh Resources.

The assets to be sold include Giant's 43.7 per cent interest in Curragh, which is a lead-zinc-silver concentrate producer, together with Giant's controlling interest in the gold mining operations of the Pamour and certain debts owed by Giant to Pamour companies.

The letter provides for the sale of the assets to Frame "or its nomineees," and it is assumed that other interested parties will pick up some of these interests, most likely the gold operations.

French supermarket groups to merge

By William Dawkins in Paris

COMPTOIRS Modernes and Major-Unidis, two medium sized French supermarket chains, have agreed to join forces in the competitive French retailing industry through a share exchange worth FFr1.45bn.

The deal will create a group with 12 hypermarkets, 300 large supermarkets and 1,000 home stores across France, producing a likely turnover of FFr20bn next year.

Mr Jean Claude Passart, chairman of Comptoirs Modernes, said he would be paying shares or cash in exchange for all of Major-Unidis's shares.

Comptoirs Modernes, 21 per cent owned by the Carrefour supermarkets group, is by far the larger partner in the deal, with a turnover of FFr14bn last year, on which it made a profit of FFr206m. Major-Unidis, which joined the French secondary stock market two years ago, made FFr60m in 1988 on sales of FFr2.6bn.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	High 1989	Low 1989
Gold per troy oz.	$391.25	+6.00	$417.75	$412.25	$356.5
Silver Per troy oz	359.8p	+26.9	342.20p	359.8p	313.90p
Aluminium 99.7% (cash)	$1717.0	-85.5	$2285	$2610	$1664
Copper Grade A (cash)	£1612	-74	£1762.5	£1982.5	£1474
Lead(cash)	£439.5	+2.5	£383	£487.5	£337
Nickel (cash)	$10175	+50	$13400	$19350	$9987.5
Zinc (cash)	$1440.0	-7.5	$1577.5	$2107.5	$1440
Tin (cash)	$6910	-220	£4095	$10760	$6910
Cocoa Futures (Mar)	£674	-35	£851	£947	£674
Coffee Futures (Jan)	£685	-11	£1083	£1270	£658
Sugar (LDP Raw)	$372.8	-8.2	$261.4	$381.0	$235.8
Barley Futures (Jan)	£111.0	+1.1	£108.25	£113.50	£100.95
Wheat Futures (Jan)	£112.15	+0.10	£111.5	£121.65	£104.7
Cotton Outlook A Index	82.25c	-1.45	58.75c	84.95c	61.35c
Wool (64s Super)	585p	+3	625p	710p	582p
Rubber (Spot)	57.75p	+0.75	51p	64p	55p
Oil (Brent Blend)	$18.525z	-0.600	$13.08	$21.35	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. z-Jan.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.93-6.02z	+0.02
Brent Blend	$18.50-8.55z	+0.05
W.T.I. (1 pm est)	$19.65-9.70z	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$185-187	+1
Gas Oil	$187-188	+3
Heavy Fuel Oil	$103-105	-½
Naphtha	$158-160	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$391.25	-2.00
Silver (per troy oz)♣	559c	-3
Platinum (per troy oz)	$515.75	+0.75
Palladium (per troy oz)	$140.20	+0.55
Aluminium (free market)	$1720	-10
Copper (US Producer)	118¾-125c	-2
Lead (US Producer)	39c	
Nickel (free market)	460c	
Tin (Kuala Lumpur market)	18.35r	-0.04
Tin (New York)	318.5c	+1.0
Zinc (US Prime Western)	75¼c	-3½
Cattle (live weight)†	113.74p	-0.56*
Sheep (dead weight)†	205.75p	-6.71*
Pigs (live weight)†	91.75p	-4.52*
London daily sugar (raw)	$372.8x	-1.2
London daily sugar (white)	$399.0x	-0.5
Tate and Lyle export price	£353	-1
Barley (English feed)	£113.5	
Maize (US No. 3 yellow)	£127.0	+0.5
Wheat (US Dark Northern)	£127.75	
Rubber (spot)♥	57.75p	
Rubber (Dec)♥	53.75p	
Rubber (Jan)♥	60.75p	
Rubber (KL RSS No 1 Dec)	226.5m	+0.5
Coconut oil (Philippines)§	$475.0v	+2.5
Palm Oil (Malaysian)§	$300	-5
Copra (Philippines)§	$300	
Soyabeans (US)	£174	+2
Cotton "A" Index	82.25c	-0.35
Wooltops (64s Super)	585p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Mar. v-Nov/Dec. w-Dec. z-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Jan	18.56	18.43	18.61	18.51
Feb	18.36	18.22	18.39	18.30
Mar	18.18	18.05	18.18	
IPE Index	18.44	18.39		

Turnover: 6072 (10144)

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	685	705	703	679
Mar	674	675	675	668
May	687	685	688	678
Jul	701	700	700	693
Sep	716	715	715	709
Dec	737	736	735	730
Mar	757	756	757	750

Turnover: 8346 (5325) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 16 793.14 (792.60) :10 day average for Nov 17 812.41 (813.29)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Nov	692	723	702	688
Jan	685	705	690	675
Mar	692	717	700	690
May	716	734	718	712
Jul	734	753	738	732
Sep	750	770	755	750
Nov	770	785	775	770

Turnover: 5018 (2302) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 16: Comp. daily 62.00 (63.14). 15 day average 62.42 (62.32)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	339.00	330.40	340.00	326.00
May	334.60	326.20	335.20	322.60
Aug	330.00	320.20	329.00	321.40
Oct	318.60	310.20	318.00	310.00
Dec	309.00	308.00	305.00	
Mar	303.60	295.00	298.60	293.60
White	**Close**	**Previous**	**High/Low**	
Mar	403.00	395.50	403.00	393.50
May	407.50	400.00	407.00	399.00
Aug	416.00	408.00	408.50	407.50
Oct	391.00	383.00	381.50	

Turnover: Raw 3192 (4739) lots of 50 tonnes. White 1731 (1832)
Paris- White (FFr per tonne): Mar 2510, May 2550, Aug 2640, Oct 2475, Dec 2380, Mar 2380.

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Dec	182.25	179.50	182.25	181.00
Jan	177.00	173.75	177.00	175.50
Feb	172.25	169.25	172.00	170.25
Mar	166.75	164.00	166.75	165.50
Apr	160.25	160.00	160.25	
Jul	158.00	-	157.75	

Turnover 7990 (6711) lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 24,800 tonne
Cash	1716-8	1738-43		1720-2		
3 months	1708-10	1722-5	1722/1705	1712-3	1707-8	31,986 lots
Copper, Grade A (£ per tonne)						Ring turnover 35,250 tonne
Cash	1611-3	1669-71	1630/1629	1628-9		
3 months	1623-4	1671-2	1654/1624	1639-40	1627-8	73,967 lots
Lead (£ per tonne)						Ring turnover 5,250 tonne
Cash	438.5-40.5	443-5		440-2		
3 months	436.5-7.5	441.5-2	439.5/437	439-40	438-8.5	11,746 lots
Nickel ($ per tonne)						Ring turnover 1,512 tonne
Cash	10150-200	10000-50		9950-10000		
3 months	9725-50	9700-10	9750/9700	9675-700	9740-50	6,905 lots
Tin ($ per tonne)						Ring turnover 1,165 tonne
Cash	6900-20	6850-900		6920-40		
3 months	7030-5	7010-15	7080/7020	7020-5	7070-90	4,973 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 15,375 tonne
Cash	1446-50	1470-5	1450/1445	1450-1		
3 months	1425-8	1440-2	1430/1400	1424-6	1400-10	15,627 lots
Zinc ($ per tonne)						Ring turnover 1,475 tonne
Cash	1435-45	1440-50	1446	1444-6		
3 months	1395-405	1405-15		1400-5	1375-85	2,694 lots

LME Closing £/$ rate:
SPOT: 1.5705 3 months: 1.5443 6 months: 1.5231 9 months: 1.5042

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Feb	152.0	150.0		
Apr	201.0	202.0	201.3	200.2

Turnover 210 (172) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low	
Dec	144.00	-	143.00	141.00
Feb	147.50	148.00	148.10	147.50
Aug	140.00	-	139.00	

Turnover 48 (15) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Dec	1670	1677	1670	1667
Jan	1651	1634	1680	1675
Apr	1633	1688	1684	1675
Jul	1407	1413	1410	
BFI	1652	1648		

Turnover 75 (173)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Nov	108.80	108.50	108.60	
Jan	112.15	111.75	112.15	111.80
Mar	116.10	115.55	116.20	115.35
May	119.35	119.00	119.35	119.00
Jun	120.65	120.45	120.75	120.25
Sep	104.35	-	104.35	
Nov	107.35	-	107.35	
Barley	**Close**	**Previous**	**High/Low**	
Nov	107.65	107.50	107.50	
Jan	111.00	110.90	111.00	110.75
Mar	113.85	113.75	113.75	
May	115.30	115.50	115.30	115.25

Turnover: Wheat 116 (171), Barley 84 (230).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Nov	123.0	124.5	123.5	123.0
Feb	113.0	114.5	113.0	
Apr	113.0	114.5	113.0	

Turnover 62 (9) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	391-391½	249-249½
Opening	392-392½	249½-249
Morning fix	393.85	249.984
Afternoon fix	392.00	249.920
Day's high	394-394½	
Day's low	391-391½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	400-405	256-257½
Britannia	400-405	256-257½
US Eagle	400-405	256-257½
Angel	402-407	256-259
Krugerrand	390-393	249-250½
New Sov.	92-93	58½-59¼
Old Sov.	92-93	58½-59¼
Noble Plat	521.95-530.20	331.60-336.85
Silver fix	**p/fine oz**	**US cts equiv**
Spot	359.80	568.00
3 months	373.20	577.85
6 months	386.25	589.20
12 months	411.95	612.75

TRADED OPTIONS

Aluminium (99.7%)	Calls Jan	Calls Mar	Puts Jan	Puts Mar
Strike price $ tonne	Jan	Mar	Jan	Mar
1600	141	130	15	36
1700	74	74	46	77
1800	32	38	103	138
Copper (Grade A)	**Calls**		**Puts**	
2400	163	171	40	85
2500	103	122	79	149
2600	60	84	134	202
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
650	44	66	9	28
700	15	40	30	50
750	3	20	68	80
Cocoa	**Mar**	**May**	**Mar**	**May**
650	54	70	30	33
700	31	45	57	58
750		27		90
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1600	70		18	43
1650	39	50	35	63
1700	19	23	65	

US MARKETS

In the metals, gold, silver and platinum remained higher after technical action, reports Drexel Burnham Lambert. Silver continued to out-perform the other metals gaining nine cents basis December. A weak london market and sell stops depressed copper. An increase in LME stocks is expected next week. In the softs, strong fund buying along with local short-covering rallied sugar. The March contract added 0.47c to close at 15.36c a pound. Coffee and cocoa eased during slow day. The grains were also quiet with mostly local activity featured. The livestocks all firmed as higher cash prices supported the markets. Commission houses were the featured buyers. The energy complex was mixed in dull trading. Local players made up most of the light volume.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	394.8	391.4	0	0
Dec	395.8	392.7	396.0	392.2
Jan	398.5	395.3	0	0
Feb	401.0	397.7	401.4	397.5
Apr	406.0	402.5	408.4	402.4
Jun	410.9	407.1	411.5	407.4
Aug	415.4	411.5	413.2	412.0
Oct	420.0	416.1	420.6	418.2
Dec	424.7	420.8	425.0	421.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	521.2	518.0	0	0
Jan	528.8	521.4	527.0	520.0
Apr	531.4	526.2	531.3	525.0
Jul	537.1	531.4	537.5	532.0
Oct	543.4	537.4	540.5	539.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	567.2	558.2	562.5	562.5
Dec	569.6	559.6	571.5	559.0
Jan	571.4	562.4	571.0	570.0
Mar	583.0	572.4	584.0	572.0
May	589.6	580.6	593.5	580.5
Jul	597.9	589.1	602.0	589.0
Sep	606.0	597.7	609.5	597.0
Dec	618.2	609.5	620.0	610.0
Jan	621.6	613.1	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 16	Nov 15	mnth ago	yr ago
1882.8	1871.3	1855.8	1943.4

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	130.60	130.27	130.46	133.16
Futures	131.49	131.97	130.13	136.53

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	111.65	114.90	0	0
Dec	112.30	114.80	113.40	112.30
Jan	110.00	112.90	110.00	109.00
Feb	109.00	112.30	109.00	109.00
Mar	108.50	111.10	110.50	108.00
Apr	108.50	110.00	109.50	109.50
May	105.00	108.80	108.50	108.50
Jun	106.00	108.10	107.80	107.80
Jul	103.60	107.20	107.00	105.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	19.79	19.86	19.93	19.77
Jan	19.70	19.76	19.83	19.65
Feb	19.57	19.60	19.65	19.51
Mar	19.41	19.44	19.49	19.38
Apr	19.28	19.30	19.34	19.24
May	19.15	19.16	19.22	19.12
Jun	18.97	19.02	19.03	18.97
Jul	18.90	18.88	18.90	18.90

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	5890	5879	5910	5850
Jan	5880	5864	5895	5840
Feb	5795	5757	5795	5765
Mar	5565	5542	5565	5540
Apr	5335	5307	5350	5320
May	5165	5132	5185	5160
Jun	5085	5017	5070	5025
Jul	5030	4975	5030	5016

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	923	930	928	920
Mar	951	955	952	944
May	964	966	965	956
Jul	983	985	983	975
Sep	996	1000	998	987
Dec	1015	1021	1016	1011
Mar	1035	1041	1035	1030

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	71.75	72.89	73.80	71.60
Mar	75.75	75.89	76.60	75.25
May	77.90	78.00	78.60	77.30
Jul	80.07	80.90	80.90	79.80
Sep	82.18	82.75	82.85	81.50
Dec	85.08	85.75	85.75	84.35
Mar	87.90	88.39	89.50	88.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	14.80	14.67	14.80	14.80
Mar	15.36	14.89	15.38	14.76
May	15.07	14.65	15.10	14.55
Jul	14.82	14.43	14.94	14.30
Oct	14.34	13.98	14.41	13.90
Mar	13.60	13.26	13.65	13.30

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	72.20	72.27	72.47	71.90
Mar	74.45	74.54	74.67	74.05
May	75.35	75.43	75.49	75.00
Jul	75.30	75.30	75.45	74.95
Oct	69.45	69.46	69.65	69.40
Dec	66.60	66.65	66.80	66.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	125.75	123.30	126.00	123.30
Mar	125.00	123.80	125.00	123.50
May	125.00	123.95	125.00	123.95
Jul	124.10	124.00	125.00	123.95
Sep	124.50	124.00	0	0
Nov	124.60	123.95	0	0
Mar	124.60	123.95	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	583/6	584/2	585/4	581/6
Jan	594/6	595/4	596/0	592/4
Mar	607/6	606/6	609/4	605/6
May	619/4	620/2	620/4	617/4
Jul	628/2	628/6	628/4	625/6
Aug	629/0	629/0	629/0	627/4
Sep	616/4	618/0	618/4	616/4
Nov	615/6	616/0	616/4	614/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.74	19.90	19.84	19.64
Jan	19.96	20.12	20.07	19.87
Mar	20.36	20.52	20.48	20.28
May	20.74	20.88	20.82	20.65
Jul	21.01	21.15	21.10	20.91
Aug	21.02	21.19	21.15	20.96
Sep	21.02	21.25	21.15	21.00
Oct	21.07	21.35	21.17	21.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	188.4	188.0	188.5	187.1
Jan	187.1	186.9	187.2	186.2
Mar	186.4	186.1	186.6	185.3
May	185.4	185.1	185.5	184.6
Jul	184.9	184.3	185.0	184.0
Aug	184.5	183.6	184.5	183.5
Sep	184.5	183.9	184.5	183.8
Oct	183.7	182.7	184.0	183.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	240/0	240/2	240/6	239/2
Mar	243/6	244/0	244/6	243/2
May	247/6	247/4	248/2	247/2
Jul	251/0	251/2	252/0	251/0
Sep	245/2	245/4	246/2	245/0
Dec	242/2	242/4	243/2	242/0
Mar	249/0	249/0	249/4	249/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	410/0	407/4	410/0	406/0
Mar	412/2	412/0	413/4	410/0
May	392/2	391/0	392/2	388/6
Jul	362/2	361/2	362/4	360/0
Sep	366/6	366/6	367/0	365/4
Dec	378/0	377/2	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.87	74.67	74.92	74.67
Feb	74.30	74.17	74.40	74.12
Apr	74.05	74.12	74.22	74.02
Jun	71.27	71.32	71.47	71.22
Aug	69.50	69.42	69.70	69.50
Oct	68.90	68.92	69.10	68.90

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	49.97	49.15	50.05	49.15
Feb	50.42	49.47	50.50	49.50
Apr	46.15	45.77	46.20	45.80
Jun	49.97	49.70	50.10	49.70
Jul	50.17	49.80	50.30	49.80
Aug	49.00	48.67	49.00	48.75
Oct	44.35	44.00	44.50	44.00
Dec	45.80	45.50	45.80	45.62

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	64.17	63.52	64.70	63.15
Mar	63.35	63.00	64.10	62.80
May	62.70	62.15	62.95	61.75
Jul	60.60	60.40	61.10	60.10
Aug	58.60	58.40	59.50	58.15

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bank intervenes to buy sterling

STERLING and the Japanese yen were out of favour on the foreign exchanges yesterday. The dollar was firm and the D-Mark maintained its recent attraction, although the West German currency suffered from some weekend profit-taking after its rise for most of the week.

The Bank of England intervened to buy sterling against the dollar and European Currency Unit as the pound weakened on disappointing UK inflation data. The October year-on-year rise in UK retail prices declined to 7.3 from 7.6 per cent, but this was above market forecasts of around 7.0 per cent.

The news was somewhat ambiguous, however, because although it was not encouraging from an economic point of view, it provided a further arguement against any early reduction in UK bank base rates. This helped the pound hold above a technical support point of DM2.8850 against the D-Mark.

Sterling closed in London at DM2.8900, against DM2.8950 on Thursday. The pound also fell 90 points to $1.5690 and declined to SFr2.5625 from SFr2.5700; to FFr9.8300 from FFr9.8575; and to Y226.50 from Y226.75. Sterling's index closed 0.5 lower at 88.1.

The dollar gained from the weakness of sterling and the Japanese yen, but showed little reaction to news of a sharp gain of 12 per cent in October US housing starts, the largest rise for nearly three years.

Towards the end of trading in London, the dollar was threatening to break through resistance at Y144.50, partly on the latest improvement in the US trade deficit and also on interest rate considerations which do not favour the yen. The dollar rose to Y144.40 from Y143.75. Earlier in subdued Tokyo trading there was no intervention to sell the dollar by the Bank of Japan.

At the London close the dollar had also improved to DM1.8425 from DM1.8350; to SFr1.6330 from SFr1.6280; and to FFr6.2650 from FFr6.2475. The dollar's index rose to 70.0 from 69.6.

The D-Mark advanced slightly to Y78.37 from Y78.34 against the yen, despite losing ground to the dollar. The D-Mark was supported by a bigger than expected French trade deficit of FFr9.33bn in August, the highest for over six years.

Another factor may have been a rise to 7 per cent from 6.5 per cent in the rate the Bundesbank sells Treasury bills to absorb money market liquidity. This move gives banks a better return than may be available in the market but is not a sign of any credit tightening.

Profit taking in the D-Mark helped keep the weaker members of the European Monetary System well within their cross rate limits.

£ IN NEW YORK

Nov.17	Latest	Previous Close
£ Spot	1.5825-1.5835	1.5760-1.5770
1 month	0.84-0.83pm	0.83-0.82pm
3 months	2.39-2.36pm	2.49-2.47pm
12 months	8.38-8.28pm	8.53-8.43pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.17	Previous
8.30 am	88.7	88.7
9.00 am	88.7	88.7
10.00 am	88.5	88.7
11.00 am	88.5	88.5
Noon	88.4	88.5
1.00 pm	88.4	88.6
2.00 pm	88.3	88.7
3.00 pm	88.0	88.5
4.00 pm	88.1	88.6

CURRENCY RATES

Nov.16	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.23801	1.41839
U.S Dollar	7	1.27277	1.11148
Canadian $	12.46	1.48863	1.30120
Austrian Sch.	6½	16.5244	14.4347
Belgian Franc	10¼	49.2530	43.0085
Danish Krone	10½	9.12767	7.97539
Deutsche Mark	6.00	2.34622	2.04978
Neth.Guilder	7.00	2.64927	2.31298
French Franc	10¼	7.98090	6.97062
Italian Lira	13½	1725.59	1506.77
Japanese Yen	3¾	183.088	160.275
Norway Krone	8	8.80884	7.69252
Spanish Peseta	-	149.500	130.765
Swedish Krona	9½	8.20682	7.17235
Swiss Franc	6.00	2.07652	1.81560
Greek Drach.	20½	210.340	183.705
Irish Punt	-	0.884611	0.771858

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Nov.16

CURRENCY MOVEMENTS

Nov.17	Bank of England Index	Morgan** Guaranty Changes %
Sterling	88.1	-22.5
U.S Dollar	70.0	-8.4
Canadian Dollar	105.4	+1.9
Austrian Schilling	108.2	+11.0
Belgian Franc	107.6	-4.8
Danish Krone	105.9	+0.6
Deutsche Mark	115.7	+22.9
Swiss Franc	106.5	+15.2
Guilder	112.4	+14.9
French Franc	101.2	-14.2
Lira	99.3	-19.3
Yen	134.9	+65.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Nov.16.

OTHER CURRENCIES

Nov.17	£	$
Argentina	1018.70 - 1026.90	650.00 - 655.00
Australia	2.0010 - 2.0035	1.2775 - 1.2785
Brazil	9.7545 - 9.8070	6.2240 - 6.2550
Finland	6.6730 - 6.6935	4.2690 - 4.2710
Greece	258.75 - 263.25	163.90 - 166.60
Hong Kong	12.2320 - 12.2450	7.8115 - 7.8135
Iran	114.30*	72.20*
Korea(Sth)	1051.40 - 1068.40	669.70 - 674.90
Kuwait	0.4710 - 0.4725	0.2985 - 0.2995
Luxembourg	60.60 - 60.70	38.60 - 38.70
Malaysia	4.2340 - 4.2450	2.7040 - 2.7060
Mexico	4127.70 - 4146.05	2635.00 - 2645.00
N. Zealand	2.6580 - 2.6640	1.6965 - 1.6995
Saudi Ar.	5.9160 - 5.9220	3.7505 - 3.7515
Singapore	3.0675 - 3.0735	1.9595 - 1.9615
S. Af (Cm)	4.1195 - 4.1305	2.6300 - 2.6330
S. Af (Fn)	6.1730 - 6.2970	3.9370 - 4.0160
Taiwan	40.45 - 40.55	25.80 - 25.85
U.A.E.	5.7925 - 5.7980	3.6720 - 3.6730

*Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	2 mths	6 mths	12 mths
US Dollar	1.5690	1.5608	1.5859	1.5213	1.4838
D-mark	2.8900	2.8732	2.8574	2.8037	2.7395
French Fr.	9.8300	9.7923	9.7545	9.6293	9.4838
Swiss Fr.	2.5625	2.5466	2.5314	2.4796	2.4147
Yen	226.50	224.90	223.31	217.91	211.11

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5640 - 1.5790	1.5685 - 1.5695	0.84-0.82cpm	6.35	2.51-2.48pm	6.36
Ireland†	1.4365 - 1.4415	1.4400 - 1.4410	0.30-0.26cpm	2.34	1.17-1.07pm	3.11
Canada	1.1680 - 1.1700	1.1690 - 1.1700	0.34-0.37cdis	-3.65	1.05-1.13dis	-3.73
Netherlands	2.0730 - 2.0820	2.0780 - 2.0790	0.04-0.02cpm	0.17	0.04-parpm	0.04
Belgium	38.55 - 38.70	38.60 - 38.70	3.50-5.50cdis	-1.40	11.00-15.00dis	-1.34
Denmark	7.14 - 7.18	7.15½ - 7.16	2.30-2.65oredis	-4.15	6.85-7.35dis	-3.97
W. Germany	1.8365 - 1.8450	1.8420 - 1.8430	0.11-0.09pfpm	0.65	0.12-0.09pm	0.23
Portugal	158.35 - 158.70	158.50 - 158.60	0.63-0.73cdis	-0.05	2.70-2.95dis	-0.07
Spain	116.85 - 118.25	117.60 - 117.70	48-58cdis	-5.39	172-182dis	-6.00
Italy	1350½ - 1357½	1354¼ - 1355¼	4.30-4.80liredis	-4.03	13.70-14.70dis	-4.19
Norway	6.89⅝ - 6.92	6.91½ - 6.92	1.55-1.90oredis	-2.99	5.45-5.85dis	-3.27
France	6.25 - 6.27¼	6.26¼ - 6.26¾	0.87-0.92cdis	-1.71	3.05-3.20dis	-1.99
Sweden	6.43¾ - 6.45¼	6.44¾ - 6.45¼	1.65-1.90oredis	-3.30	5.65-6.00dis	-3.61
Japan	143.80 - 144.45	144.35 - 144.45	0.28-0.26ypm	2.25	0.68-0.65pm	1.85
Austria	12.96 - 12.98¼	12.97 - 12.97½	0.15pm-0.25grdis	-0.18	0.30-1.70dis	-0.31
Switzerland	1.6270 - 1.6375	1.6325 - 1.6335	0.17-0.14cpm	1.14	0.27-0.22pm	0.60
ECU	1.1110 - 1.1125	1.1115 - 1.1125	0.18-0.17cpm	1.89	0.62-0.59pm	2.18

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.60-38.70.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5640 - 1.5790	1.5685 - 1.5695	0.84-0.82cpm	6.35	2.51-2.48pm	6.36
Canada	1.8300 - 1.8475	1.8370 - 1.8380	0.45-0.37cpm	2.68	1.32-1.15pm	2.69
Netherlands	3.25 - 3.28½	3.25½ - 3.26½	1¾-1⅝cpm	6.44	5¼-5pm	6.29
Belgium	60.50 - 61.20	60.60 - 60.70	27-24cpm	5.05	77-73pm	4.95
Denmark	11.20 - 11.34	11.22½ - 11.23½	2⅞-1⅞orepm	2.27	7⅝-6⅞pm	2.58
Ireland	1.0870 - 1.0990	1.0900 - 1.0910	0.45-0.35	4.40	0.90-0.80pm	3.12
W. Germany	2.88½ - 2.91¼	2.88¾ - 2.89¾	1¾-1⅝pfpm	7.01	4¾-4⅝pm	6.57
Portugal	247.90 - 250.55	248.60 - 249.60	38-15cpm	1.16	27-70dis	-0.78
Spain	184.50 - 186.85	185.40 - 185.70	18-10cpm	0.91	22-10pm	0.34
Italy	2121½ - 2142¾	2125½ - 2126½	5-3lirepm	2.26	13-11pm	2.26
Norway	10.82 - 10.93½	10.84¾ - 10.85¾	3¼-2⅞orepm	3.39	8¾-8pm	3.06
France	9.80½ - 9.90¼	9.82½ - 9.83½	4-3⅝cpm	4.65	11-10⅝pm	4.40
Sweden	10.10½ - 10.19	10.11½ - 10.12½	2⅞-2⅛orepm	2.96	7½-6⅝pm	2.72
Japan	225½ - 228	226 - 227	1⅝-1½ypm	8.28	4⅝-4½pm	8.06
Austria	20.30 - 20.49	20.35 - 20.36	12-10gropm	6.49	33-29pm	6.09
Switzerland	2.55¾ - 2.58¼	2.55¾ - 2.56¾	1⅞-1½cpm	7.61	4½-4⅜pm	6.93
ECU	1.4190 - 1.4240	1.4190 - 1.4200	0.54-0.51cpm	4.44	1.52-1.47pm	4.21

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 60.60-60.70 Six-month forward dollar 4.80-4.75cpm 12 Months 8.57-8.47cpm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0085	+1.30	+0.98	±1.5424
Danish Krone	7.85212	7.97539	+1.57	+1.25	±1.6419
German D-Mark	2.05853	2.04978	-0.43	-0.75	±1.1019
French Franc	6.90403	6.97062	+0.96	+0.64	±1.3719
Dutch Guilder	2.31943	2.31298	-0.28	-0.60	±1.5019
Irish Punt	0.768411	0.771858	+0.45	+0.13	±1.6689
Italian Lira	1483.58	1506.77	+1.56	+1.56	±4.0815
Spanish Peseta	133.804	130.765	-2.27	-2.27	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times. Nov.17 Ecu rates unavailable from source

EURO-CURRENCY INTEREST RATES

Nov 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	14⅞-14¾	15⅛-15	15⅛-15	15-14¾	14⅝-14½
US Dollar	8⅝-8½	8⅝-8½	8½-8⅜	8½-8⅜	8⅜-8¼	8¼-8⅛
Can. Dollar	12-11¾	12¼-11¾	12⅛-11⅞	12⅛-11⅞	12-11¾	11⅞-11⅝
D. Guilder	8⅜-8⅛	8⅜-8⅛	8⅝-8½	8⅞-8⅝	8⅞-8⅝	8⅞-8⅝
Sw. Franc	6⅞-6⅝	7-6¾	7⅞-7⅝	7⅞-7⅝	7⅞-7⅝	7¾-7½
Deutschmark	7⅝-7½	7⅝-7½	7⅞-7⅝	8¼-8⅛	8⅜-8¼	8⅝-8½
Fr. Franc	10⅜-10¼	10⅜-10⅛	10⅝-10⅜	10⅝-10½	10⅝-10½	10⅝-10⅜
Italian Lira	12-10	12⅜-11¾	12⅜-12⅛	12⅜-12⅛	12⅜-12⅛	12⅝-12⅜
B. Fr. (Fin)	9⅝-9½	9⅞-9⅝	9⅞-9⅝	9⅞-9⅝	9⅞-9⅝	9⅞-9⅝
B. Fr. (Con)	9⅞-9½	9⅞-9½	10⅛-9¾	10⅛-9¾	10-9¾	9⅞-9½
Yen	6⅜-6¼	6⅜-6¼	6⅜-6¼	6⅝-6½	6⅝-6½	6⅝-6½
D.Krone	12½-12⅛	12⅝-12⅛	12⅝-12⅛	12⅝-12¼	11⅞-11⅝	11⅞-11⅝
Asian $Sing	8⅜-8¼	8⅜-8¼	8½-8⅜	8½-8⅜	8⅜-8¼	8¼-8⅛

Long term Eurodollars: two years 8⅜-8¼ per cent; three years 8½-8⅜ per cent; four years 8⅝-8½ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.17	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.569	2.890	226.5	9.83	2.563	3.260	2126	1.838	60.65
$	0.637	1	1.842	144.4	6.265	1.634	2.078	1355	1.171	38.66
DM	0.346	0.543	1	78.37	3.401	0.887	1.128	735.6	0.636	20.99
YEN	4.415	6.927	12.76	1000.	43.40	11.32	14.39	9386	8.115	267.8
F Fr.	1.017	1.596	2.940	230.4	10.	2.607	3.316	2163	1.870	61.70
S Fr.	0.390	0.612	1.128	88.37	3.835	1	1.272	829.5	0.717	23.66
H Fl.	0.307	0.481	0.887	69.48	3.015	0.786	1	652.1	0.564	18.60
Lira	0.470	0.738	1.359	106.5	4.624	1.206	1.533	1000.	0.865	28.53
C $	0.544	0.854	1.572	123.2	5.348	1.394	1.774	1157	1	33.00
B Fr.	1.649	2.587	4.765	373.5	16.21	4.226	5.375	3505	3.031	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.17) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10½	One month	6.79	Three year	7.74
Broker loan rate	9½	Two month	7.97	Four year	7.75
Fed funds	8⅛	Three month	7.92	Five year	7.77
Fed.funds at intervention	-	Six month	7.86	Seven year	7.82
		One year	7.70	10-year	7.84
		Two year	7.76	30-year	7.90

Nov.17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.90-7.10	7.65-7.75	8.10-8.25	8.10-8.25	8.10-8.30	8.00
Paris	10⅛-10¼	10¼-10⅜	10⅛-10¼	10¼-10⅜	10⅜-10½	9.50
Zurich	6⅝-7⅛	7¼-7⅜	-	7⅝-7⅞	-	-
Amsterdam	8.31-8.44	8.30-8.40	-	8.40-8.50	-	-
Tokyo	6⅝-6¾	6⅝-6⅞	-	6⅝-6⅞	-	-
Milan	12¾-12⅞	12¾-12⅞	-	12⅞-13⅛	-	-
Brussels	6.90	9⅞-9⅞	-	9⅞-9⅞	-	-
Dublin	10⅞-10⅞	10⅞-11	10¾-10⅞	11⅛-11⅞	11⅞-12	-

LONDON MONEY RATES

Nov 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	14⅞	15⅛	15⅛	15	14⅝
Interbank Bid	12	14⅞	14⅞	15	14⅞	14½
Sterling CDs	-	-	15	15⅛	14⅞	14½
Local Authority Deps.	14⅞	14⅞	14⅞	14⅞	14¾	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¼	14⅞	14¾	14⅝	-	-
Company Deposits	-	-	15	15	14⅞	14½
Finance House Deposits	-	-	15⅛	15⅛	14⅞	14½
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	13⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14½	-
Dollar CDs	-	-	8.45	8.42	8.23	8.20
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9⅛	9
SDR Linked Dep. Bid	-	-	8⅝	8⅞	8⅞	8¾
ECU Linked Dep. Offer	-	-	10⅝	10⅞	10⅞	10⅝
ECU Linked Dep. Bid	-	-	10⅜	10⅝	10⅝	10⅜

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅝ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.3433 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1989. Agreed rates for period November 26 1989 to December 25, 1989, Scheme I: 15.66 p.c., Schemes II & III: 16.22 p.c. Reference rate for period Sept 30,1989 to October 31, 1989, Scheme IV&V: 15.084 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989, Deposits withdrawn for cash 5 per cent.

MONEY MARKETS

UK rates firmer

INTEREST rates were firmer in London. Three-month sterling interbank rose to 15⅛-15 per cent from 15⅟₁₆-15 per cent.

UK clearing bank base lending rate 15 per cent from October 5

The Bank of England forecast a credit shortage of £900m and gave assistance of £921m. In early help the authorities bought £282m bills, by way of £35m Treasury bills in band 2 and £247m bank bills in band 2 at 14⅞ per cent. Another £268m bills were purchased before lunch, via £35m bank bills in band 1 at 14⅞ per cent; £82m Treasury bills in band 2 at 14⅞ per cent; and £151m bank bills in band 2 at 14⅞-14⅞ per cent. Later the Bank of England bought £256m bank bills in band 2 at 14⅞-14⅞ per cent, followed by late assistance of £115m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £391m, with Exchequer transactions absorbing £140m and a rise in the note circulation £395m. These outweighed bank balances above target of £5m.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE $/$ OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT [illegible]

THREE MONTH EURODOLLAR [illegible]

FT-SE 100 INDEX [illegible]

US TREASURY BONDS 8% [illegible]

THREE MONTH ECU [illegible]

POUND-$ (FOREIGN EXCHANGE) [illegible]

6% NOTIONAL GERMAN GOVT. BOND [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% [illegible]

JAPANESE YEN (IMM) [illegible]

THREE MONTH STERLING [illegible]

DEUTSCHE MARK (IMM) [illegible]

U.S. TREASURY BILLS (IMM) [illegible]

THREE MONTH EURODOLLAR (IMM) [illegible]

THREE MONTH EURODOLLAR [illegible]

SWISS FRANC (IMM) [illegible]

STANDARD & POORS 500 INDEX [illegible]

LONDON TRADED OPTIONS

[illegible]

FT-SE INDEX (*2221) [illegible]

November 17 Total Contracts 30,019 [illegible]

WORLD STOCK MARKETS

US MARKETS (3pm)

AUSTRIA

FRANCE (continued)

GERMANY (continued)

ITALY (continued)

SWEDEN

BELGIUM/LUXEMBOURG

NETHERLANDS

SWITZERLAND

DENMARK

NORWAY

CANADA (3pm)

FINLAND

ITALY

SPAIN

SOUTH AFRICA

GERMANY

FRANCE

JAPAN

AUSTRALIA (continued)

HONG KONG

AUSTRALIA

SINGAPORE

INDICES

NEW YORK

DOW JONES	Nov. 16	Nov. 15	Nov. 14	Nov. 13	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2635.66	2632.58	2610.25	2626.43	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.55	93.35	93.16	93.33	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1197.72	1205.19	1201.46	1210.53	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	222.40	221.58	219.68	220.82	222.40 (16/11)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2650.61 (2641.60) Low 2613.52 (2600.00)

STANDARD AND POOR'S

	Nov. 16	Nov. 15	Nov. 14	Nov. 13	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	340.58	340.54	337.99	339.55	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	388.05	388.16	385.09	387.03	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	32.69	32.49	32.28	32.52	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	188.75	188.76	187.51	188.22	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	372.51	372.15	371.52	371.70	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	455.28	455.84	454.03	455.94	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov 10	Nov 3	Oct 27	year ago (approx.)
Dow Industrial Div. Yield	3.94	3.93	3.97	3.81

	Nov 15	Nov 8	Nov 1	year ago (approx.)
S & P Industrial div. yield	2.98	3.00	2.97	3.32
S & P Indl. P/E ratio	14.40	14.29	14.25	12.13

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Dun & B'street	7,378,800	42½	− 2
Unisys Corp	2,415,100	14⅞	+ 1½
Philip Morris	2,209,200	41¼	+ ⅜
Bristol Myers	2,024,900	55¼	− ¼
Citizens & Sth	2,007,000	31¼	+ ¼
IBM	1,811,300	97¼	− ¼
Combust'n Eng	1,717,200	38¼	− ⅛
Cay Pete	1,627,800	30¼	..
Texas Util	1,625,200	35	− ¼
Gen Electric	1,449,250	57½	+ ⅜

TRADING ACTIVITY

† Volume (Millions)	Nov 16	Nov 15	Nov 14
New York	149.283	155.130	144.326
Amex	11.924	11.992	11.098
NASDAQ	146.645	133.010	123.771
Issues Traded	1,968	1,967	1,953
Rises	728	920	622
Falls	739	579	818
Unchanged	501	468	513
New Highs	74	56	43
New Lows	50	61	52

CANADA

TORONTO	Nov 16	Nov 15	Nov 14	Nov 13	1989 HIGH	1989 LOW
Metals & Minerals	3371.45	3418.02	3409.51	3439.34	3919.2 (1/9)	3207.5 (3/1)
Composite	3946.02	3968.66	3943.09	3949.69	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2007.86	2014.62	2005.50	2011.58	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common – 50, Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

	Nov. 17	Nov. 16	Nov. 15	Nov. 14	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1634.4	1629.4	1627.7	1633.7	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	828.3	825.3	823.8	826.6	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	414.20	410.30	408.51	417.64	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6507.41	6507.72	6503.58	6461.86	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	355.38	354.47	351.50	348.68	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	629.6	627.2	625.9	625.4	815.8 (18/4)	625.4 (14/11)
FRANCE						
CAC General (31/12/82)	516.8	514.1	511.6	512.7	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	118.0	117.7	116.8	117.1	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	647.14	643.27	635.53	636.77	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1903.5	1887.7	1867.6	1870.6	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1531.52	1529.58	1498.06	1503.85	1657.61 (8/9)	1271.70 (13/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2804.29	2789.51	2793.40	2779.58	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1678.69	1668.42	1665.42	1668.04	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	656.14	655.95	652.47	656.25	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35963.74	35876.34	35852.23	35768.64	35963.74 (17/11)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2717.90	2721.03	2717.87	2709.98	2721.03 (16/11)	2366.91 (6/1)
2nd Section (4/1/68)	3686.12	3686.28	3691.08	3689.58	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS TU Rtn Gen.(End 1983)	251.9	251.7	249.8	250.1	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	193.4	193.2	191.7	192.0	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	618.85	619.95	616.84	624.57	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1377.85	1359.53	1376.42	1392.87	1392.87 (14/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1337.69	1335.60	1333.72	1333.25	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1970.06	1966.0	2006.0	1984.0	2006.0 (15/11)	1291.0 (15/2)
JSE Industrial (28/9/78)	2560.06	2566.0	2580.0	2579.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	899.60	908.51	907.58	909.60	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	296.30	294.79	295.70	299.24	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3974.4	4035.7	4038.7	4103.4	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	742.6	736.3	732.4	732.2	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	10325.07	10407.14	10425.58	10499.58	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	760.83	753.18	746.22	740.75	760.83 (17/11)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	531.5	531.7	529.1	551.2 (3/8)	487.6 (13/6)

**Saturday Nov.11: Taiwan Weighted Price: 10252.40, Korea Comp Ex. 932.25.

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Rally on General Electric move peters out

Wall Street

ANNOUNCEMENT of a massive stock buyback by General Electric helped to rouse Wall Street yesterday morning, but buying interest seemed to fade by lunchtime as the initial rally failed to gather momentum, *writes Anatole Kaletsky in New York*.

The market opened uncertain of whether it could build on the small 3.08 point gain recorded on Thursday by the Dow Jones Industrial Average. However, General Electric's announcement that it would buy back up to $10bn worth of its own shares in the open market over the next five years seemed to excite a market which had been drifting listlessly for most of the past week.

Within an hour of the announcement, the Dow jumped more than 15 points, while GE's own shares gained more than $2.

The buying interest began to subside by late morning, however, and at 2 pm, the Dow stood 11.88 points up at 2,647.54.

Volume was moderate with 94m shares changing hands; advancing shares only outnumbered declines by a slim margin.

One reason for the absence of follow-through buying in the stock market was the weakness of bond prices. The Treasury's long bond fell ⅜ to 102¹¹⁄₁₆, a price at which it yielded 7.92 per cent.

Dealers could see no particular reason for the bond market's softness, apart from continuing difficulties in digesting the huge flow of new issues from the Treasury auctions of the past week.

Another slight disappointment for bond traders was the lack of direction from the currency market, where the dollar continued to move within the very narrow ranges established in the latter half of the week.

Among individual equities, General Electric saw some of the heaviest trading, and advanced $1⅞ to $59⅜. Another strong performer was Hewlett Packard, which rose $2⅞ to $44⅞ after announcing better than expected quarterly results.

Hewlett Packard's good profits gave some lift to other stocks in the technology sector, including IBM, which rose $1⅞ to $99.

Among the day's major losers was UAL, the holding company for United Airlines, which fell $4⅞ to $180⅞ after the pilots' union threatened industrial action in connection with their long-standing contract dispute.

This was interpreted as bad news for UAL's operating performance and also for hopes of reviving pilot support for a future leveraged buyout deal.

Lockheed fell $1⅞ to $40⅞ after announcing it would take a fourth quarter charge of $200m for development expenses on a sea patrol aircraft.

Lone Star Industries, a big cement and building materials business, suffered big losses after saying that it was considering a restructuring which could result in charges of $250m and a reduction in the dividend. Its stock fell $1⅜ to $30⅞.

Canada

SURGING shares of the base metals producer, Inco, boosted Toronto stocks, after news of a pipeline explosion at the Norilsk metals complex, in Siberia, stopped operations.

After strong opening gains, shares slipped on a flat Wall Street.

Inco shares jumped C$⅞ to C$34⅞ after hitting C$35⅞.

Early volume was high at 243,000 shares.

The composite index rose 11.9 points to 3,957.9; 5.5m shares changing hands.

A 12 per cent rise in US October housing starts had mixed effects on the market. Housing starts rose 1.42m on an annual basis, edging above the 1.3m expected.

EUROPE

Takeover talk upstages third quarter reports

TAKEOVER talk did more for share prices than company results on continental bourses yesterday. Indeed, consideration of the Stockholm "season" did some unkind things to local stock market sentiment, *writes Our Markets Staff*.

PARIS took courage from the better start on Wall Street, and further activity in the takeover arena.

It emerged that Groupe Victoire, the insurance company, had sold a 2.5 per cent stake in Navigation Mixte to an unknown buyer. Mixte climbed FFr27 to FFr1,880 in active trading as the market was left in suspense about the move.

It had been expected that Victoire, which had a stake of 4.3 per cent in all, would offer its shares to Paribas, the hostile bidder for Mixte. Yesterday there was speculation that Crédit Lyonnais, an ally of the Mixte camp, might be the buyer, but this was denied by the bank.

After the close, the construction group Bouygues said that it now held a 3.88 per cent stake in Mixte.

Comptoirs Modernes, in which the leading retail group Carrefour has a substantial stake, announced a FFr1.45bn bid for Major, a small but profitable supermarket group. The food retail sector has been buzzing with takeover speculation this year but turnover yesterday was low. Comptoirs Modernes closed off FFr26 at FFr1,058 on very thin volume of 1,000 shares; it had reached a high of FFr1,108 after 950 shares had been traded, so the last 50 shares knocked it down 4.5 per cent, said one analyst. Trading in Major was suspended at FFr479.

Ingénico, a computer services company, plunged FFr25, or nearly 14 per cent, to FFr157 after reporting a severe drop in first half profits on Thursday.

Eurotunnel pushed its recovery into a second day, ending FFr2.55 higher at FFr49.55 in very heavy trading.

The OMF 50 index closed 2.7 better at 508.35, a rise of 0.9 per cent from the previous Friday, while the CAC 40 index was up 7.65 at 1,837.66, a 1 per cent rise on the week. Volume was thought to be around FFr1.5bn, excluding Eurotunnel.

STOCKHOLM ended sharply down after Thursday's, mainly disappointing results from five blue chip companies; the Affärsvärlden General index closed 23.8 lower at 1,152.3, down 5.6 per cent on the week.

Share prices retreated across the board. Volvo's restricted B shares lost SKr30 to close at SKr412, Ericsson B SKr15 to SKr819, Asea restricted A shares SKr3 to SKr623 and Trelleborg restricted B SKr11 to SKr168.

FRANKFURT's indices had a quieter day, the FAZ rising 3.87 to 647.14 and the DAX closing only 1.94 higher at 1,531.52, for rises on the week of 1.9 and 2.3 per cent. Volume eased from DM5.8bn to DM5.4bn.

The underlying profit-taking was more pronounced at the high-volume end of the market. Leading blue chips like Volkswagen, Siemens, Bayer, Daimler and Deutsche Bank, had sizeable rises on Thursday.

Yesterday, although they topped the most-actives list, three of them were lower. Volkswagen was only 50 pfg higher at DM468.50 and Bayer put on DM1.50 to DM295 after an uncharacteristic jump of DM10.50 the day before.

Smaller in scale, capital goods stocks with East European prospects – and some way to ride on their Western business cycle - had a good day. KHD rose DM6.50 to DM197.50 for a two-day rise of DM20.50, or nearly 12 per cent; Linde added DM16 to DM795 and Metallgesellschaft another DM6.50 to DM519.50.

Elsewhere, the energy group RWE rose DM6 to DM343.50 before announcing a rise in dividend from DM8 to DM9.

MILAN kicked off weakly, recovered later and closed a net 0.19 down in light trading at 655.95, up 1.3 per cent on the week. Judging from Fiat, the recovery went on after hours where it was trading at L10,800 against an early decline and an official close of L10,755, up L25.

The trend was less encouraging at the recently-floated chemicals group, Enimont, where disappointing third quarter figures – and displeasure in Brussels over aspects of its formation – left the shares at L1,390, down L25, against the placing price of L1,420.

AMSTERDAM remained stuck in a rut in volume terms, with only Fl 410m shares traded, after Fl 580m the previous day and levels between Fl 400m and Fl 500m throughout the week. High level of short-term interest rates held prices back, and the CBS tendency index shed 0.3 to 179.5, but was up 0.4 per cent over the week. Next week brings results from the insurance companies.

MADRID picked up slightly after a depressing week when the general index fell through the 300 support level. It closed yesterday at 296.30, up 1.51 on the day but down 1.3 per cent on the week.

BRUSSELS ended steady in quiet trading, the cash market index closing almost unchanged at 6,507.41, down 0.31 on the day but up 1.8 per cent on the week.

OSLO had a thin day and closed mostly lower, with some investors taking profits on recent gains. However, there were few factors to influence the market.

The all-share index fell 2.01 points to 485.94 in trading worth a total of NKr174.9m. The industry index, which includes oil stocks, fell 1.10 points to 618.85 and shipping fell 8.49 points to 792.71.

COPENHAGEN was up slightly, with financial sector merger talk persisting. **HELSINKI** was unchanged.

SOUTH AFRICA

GOLD SHARES in Johannesburg ended slightly firmer, the rebound from easier morning levels reflecting continued support for the sector stemming from a firm bullion price. A weak financial rand was also supportive.

The JSE all-gold index closed about 12 higher at a provisional 1,970, but the industrial index slipped to 2,566 from 2,560.

Danish stocks sail along merrily against the tide

Hilary Barnes explains a puzzling phenomenon

THE DANISH equities market is once again out of step with the rest. While all around it share prices have weakened over the past couple of months, prices in Copenhagen have remained strong. They have been stronger than most since October 1987 – somewhat to the surprise of brokers in Copenhagen, who scratch their heads thoughtfully before attempting an explanation.

One of the reasons is that in October 1987, Danish shares had not risen to such dizzy heights as shares in many other countries and hence did not fall as far. Since then, a number of economic fundamentals have begun to look much better, which has sustained the Danish market.

There are also some specific factors supporting the market, notably the growing interest which the large institutions – especially the pension funds – have shown in equities, and individual investors' enthusiasm for putting pension savings into shares, says Mr Flemming Barleth, equities specialist at Danske Bank.

The recovery in world shipping has strengthened the shipping index, while intense speculation about potential merger activity between the banks, and their future relationship with the insurance-based groups, has pushed up prices in financial sector shares.

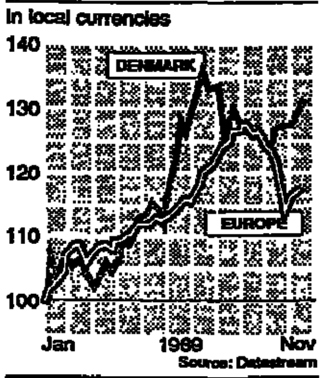
The first of the bank mergers was realised this week, when Danske Bank and Copenhagen Handelsbank, the country's two largest, announced they were going to form a bank with equity of DKr19bn ($2.66bn) and assets of DKr300bn.

The market has now fixed its attention on what it regards as the next probable merger – between Privatbanken and SDS, the savings bank, and Andelsbank (Danebank). This would create a bank with assets only just short of the new Danske Bank's, but the trio are hotly denying any merger plans.

An unknown outsider – or outsiders – has been buying into Baltica Holding, which controls the Baltica insurance group, somewhat to the irritation of Mr Peter Christoffersen, the chief executive.

FT-A World Indices

In local currencies



Source: Datastream

Mr Christoffersen is one of the most enthusiastic proponents of mergers – or irrevocable alliances – between the big banks, the insurance-based groups and the mortgage credit associations. About three months ago, he said he foresaw the creation of such financial giants – which could have combined assets of around DKr600m and equity of over DKr40bn – within six months, adding that the banks had to sort out their structural difficulties first.

The country is greatly overbanked, with 77 commercial and about 150 savings banks to serve a population of 5.1m. Since the banks have begun to do their bit, Mr Christoffersen's prediction may well be on the way to fulfilment.

The expectation that alliances of this kind will be made within the foreseeable future is one of the factors behind the rise in insurance shares. Another is that the financials are given a relatively low value by the market; the big banks' market value is only about 75 per cent of their equity value.

As European markets integrate, it seems likely Danish bank and insurance shares will move towards a European average, Mr Barleth argues. The structural rationalisation process will speed this up.

The Danish economy is looking much less vulnerable than it has for years, and this is paradoxically because of three years with no growth in gross domestic product. Inflation has remained under control, with the consumer price index rising 4.7 per cent over the 12 months to September.

Hourly wage rates in industry this year will rise by about 4 per cent – the lowest rate of increase since the 1950s.

Low inflation has facilitated a decline in interest rates over the past two years and, with the domestic market almost completely dead, export performance has blossomed and imports have been held back.

The trade balance, in deficit almost without a break for the 40 years to 1986, is showing a substantial surplus for the third year. The surplus including ships for the first nine months was DKr6.03bn, while excluding ships it was DKr9.19bn.

The surplus in trade for both visibles and invisibles this year will be DKr26bn-27bn – almost 3 per cent of GDP. This is not quite enough to offset the heavy interest payments of about DKr32bn on net foreign debt, which now exceeds DKr300bn, but the current balance of payments deficit over the 12 months to September was a moderate DKr10.8bn – a long way from the DKr35bn deficit in 1986, when it was 5.2 per cent of GDP.

There are two immediate clouds on the horizon. The first is an unsettled political situation. The minority non-socialist coalition government, led by Prime Minister Poul Schlueter, may be defeated on the final reading of the 1990 Finance Bill, on December 14. If this happens, an election seems to be unavoidable, and it would be the third in 2½ years.

The other cloud, so far not a big one, is the budget deficit. Recession has taken its toll of government revenues and strained expenditure budgets, with the result that a deficit of DKr16bn is expected for the current year. When the Finance Act was passed last December a deficit of DKr1bn was expected.

The 1990 draft budget also shows a deficit of DKr1bn. But in the unsettled situation in the Folketing there is a clear risk that the expenditure estimates will become inflated, while the revenue estimates will be left to look after themselves. A substantial deficit could therefore develop next year, which might set off new inflationary pressures.

ASIA PACIFIC

Nikkei hits fifth consecutive high

Tokyo

THE DOLLAR'S strength for once proved little obstacle to Japanese investors yesterday, and the Nikkei average hit its fifth straight high in cautious trading as equities extended their rising streak to eight days, *writes Michiyo Nakamoto in Tokyo*.

The Nikkei breached 36,000 for the first time just after the opening, climbed to a high of 36,025.48 and then dipped to a low of 35,900.24 before closing at a record 35,963.74, up 87.40. This produced a gain of 0.8 per cent over the week.

In spite of this record run for the year on the Nikkei, the Topix index of all listed shares closed down 3.13 at 2,717.90, indicating that the market's strength was fairly concentrated. Declines outnumbered advances by 489 to 452, with 175 issues unchanged. Turnover slipped to 897m shares from Thursday's 1.08bn. In London, the ISE/Nikkei 50 index was up 1.94 at 2,054.92.

The lower US trade deficit in September, which pushed the dollar up against the yen, was received calmly in Tokyo where investors still saw signs of an easing in US monetary policy and viewed the dollar rally as temporary. In addition, a rise in Japanese interest rates was beginning to look less likely, said Yamaichi Securities.

However, there was concern about the level of share prices, and heavy profit-taking and arbitrage selling took place after the Nikkei breached 36,000.

Investors chose stocks with special incentives where they could take quick profits. The land assets theme dominated activity, with railroads attracting special attention. The possibility that Tokyu companies might increase their holding in each other to ward off takeover threats further fanned buying fever in Tokyu, which in turn spread to other railways, such as Hankyu.

Tokyu topped the actives list with 32.7m shares and rose Y20 to Y3,040. Tobu Rail, whose lines lead to suburban areas in another direction outside Tokyo, added Y30 to Y1,830, while Keisei Railways posted a strong Y100 advance to Y3,050.

The Soviet theme, which foresees better trading links with the Soviet Union and Eastern Europe helping the trading houses and fisheries, helped pushed Marubeni into second place in volume terms with 30.6m shares traded. It firmed to a high of Y992 before closing up Y10 at Y980. Marubeni is seen as relatively cheap because its price is below Y1,000. Yasuda Fire and Marine, the non-life insurer, was third in volume with 26.9m shares but lost Y10 to Y1,880.

In Osaka, concern over high prices left the OSE average 12.15 lower at 37,061.04. Turnover fell to 69m shares from the 105m traded on Thursday. High-priced issues suffered profit-taking; Ono Pharmaceutical fell Y160 to Y5,390.

Roundup

IN THE Asia Pacific region, hopes began to rise in one or two markets, sometimes in spite of the performance of the underlying companies.

AUSTRALIA closed an eventful few days with gold fever, good results, takeover bids and the ailing entrepreneur syndrome balancing out the All Ordinaries index, down 0.1 per cent on the week and up 5.0 yesterday at 1,634.4.

Turnover was 93m shares and A$156m, down from 99m and A$210m on Thursday. The entrepreneur who merely had a profits setback this week, Mr Rupert Murdoch, saw his News Corp shares up another 40 cents at A$12.75.

Bond Corp was another notable gainer, rebounding 4 cents to 30 cents. The stock fell sharply earlier in the week, after an auditor's report questioned the value of some of its assets.

HONG KONG broke a psychological barrier as the Hang Seng index rose 14.78 to 2804.29, over the 2,800 mark for the first time in more than five weeks. Over one week, it was up by 1 per cent.

Good results from Hong Kong Telecom, late on Thursday, gave a lift to sentiment, although turnover fell again from HK$891m to HK$782m.

SINGAPORE was marginally firmer, on the day and on the week, with rises in the Straits Times Industrial index of 2.09 and 0.4 per cent. **TAIWAN** drifted lower to close 82.07 down at 10,325.07 for a rise on the week of 2 per cent.

SEOUL fell in light trading, the composite index ending 8.91 lower at 899.60 for a 3 per cent fall on the week. **MANILA** was boosted by speculative plays, and the composite index rose 18.32 to 1,377.85 in moderately active trading, to post a week's gain of 1.1 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY NOVEMBER 16 1989						WEDNESDAY NOVEMBER 15 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	146.57	−0.1	137.71	124.69	+0.2	5.34	146.76	137.54	124.46	160.41	128.28	145.78
Austria (19)	144.23	+0.9	135.50	137.81	+0.6	1.77	142.98	133.99	136.99	172.22	92.84	98.08
Belgium (63)	143.07	+0.1	134.42	136.19	+0.0	4.06	142.96	133.98	136.26	144.49	125.58	132.44
Canada (122)	149.16	−0.2	140.14	126.31	−0.5	3.22	149.42	140.03	126.97	154.17	124.67	114.29
Denmark (36)	221.50	+0.8	208.11	215.40	+0.8	1.47	219.64	205.84	213.59	221.50	165.35	148.20
Finland (26)	121.37	+0.3	114.03	108.41	+0.2	2.60	121.06	113.45	108.23	159.16	120.74	130.67
France (127)	132.72	+0.6	124.70	130.07	+0.6	2.86	131.87	123.58	129.23	139.94	112.57	110.79
West Germany (96)	98.22	+1.2	92.28	93.70	+1.0	2.20	97.09	90.99	92.80	103.84	79.56	86.28
Hong Kong (48)	117.97	+0.0	110.83	118.33	+0.0	4.81	117.97	110.56	118.34	140.33	86.41	105.63
Ireland (17)	157.41	−0.4	147.89	153.54	−0.4	2.88	158.10	148.17	154.22	166.69	125.00	132.25
Italy (97)	88.30	+0.3	82.96	89.16	+0.5	2.57	88.00	82.47	88.69	96.73	74.97	84.74
Japan (455)	187.38	+0.0	176.05	170.26	+0.0	0.48	187.40	175.62	170.22	200.11	164.22	185.33
Malaysia (36)	196.23	−0.4	184.36	204.43	−0.3	2.59	197.07	184.69	205.00	209.22	143.35	138.46
Mexico (13)	289.69	+0.3	272.17	836.17	+0.3	0.62	288.82	270.67	833.96	326.61	153.32	169.78
Netherland (43)	126.28	+1.0	118.65	119.31	+0.8	4.46	125.06	117.20	118.38	131.72	110.63	108.72
New Zealand (18)	75.38	+0.3	70.82	67.89	+0.2	5.21	75.12	70.40	67.78	88.18	62.64	72.73
Norway (24)	171.60	+0.5	161.23	160.66	+0.5	1.64	170.73	160.00	159.90	198.39	139.92	121.84
Singapore (26)	156.22	−0.3	146.77	141.24	−0.2	2.09	156.70	146.85	141.54	170.82	124.57	118.96
South Africa (60)	164.64	−2.7	154.68	143.67	−1.3	3.95	169.21	158.58	145.58	169.21	115.35	119.18
Spain (43)	150.01	−1.2	140.94	134.27	−0.2	3.90	151.84	142.30	134.58	169.75	143.14	152.36
Sweden (35)	168.79	−0.2	158.58	160.91	−0.1	2.13	169.16	158.53	161.02	188.94	138.45	132.33
Switzerland (64)	85.45	+0.3	80.28	86.24	+0.6	2.19	85.16	79.83	85.71	94.16	67.81	84.45
United Kingdom (305)	142.49	+0.0	133.87	133.87	+0.3	4.57	142.46	133.50	133.50	158.41	133.28	139.28
USA (546)	138.34	+0.0	129.98	138.34	+0.0	3.35	138.34	129.65	138.34	148.29	112.13	107.92
Europe (995)	124.48	+0.3	116.95	118.32	+0.5	3.55	124.07	116.27	117.77	132.96	112.63	115.20
Nordic (121)	167.25	+0.3	157.13	154.10	+0.4	1.85	166.74	156.26	153.55	178.38	137.95	126.84
Pacific Basin (668)	183.06	+0.0	171.99	166.34	+0.0	0.72	183.08	171.58	166.29	194.72	160.44	180.54
Euro - Pacific (1663)	159.70	+0.1	150.04	147.13	+0.2	1.62	159.55	149.52	146.89	166.98	141.56	154.40
North America (668)	138.89	+0.0	130.49	137.59	+0.0	3.34	138.91	130.18	137.64	146.66	112.79	108.25
Europe Ex. UK (690)	112.56	+0.5	105.75	103.75	+0.6	2.84	111.95	104.91	103.11	118.51	98.30	100.09
Pacific Ex. Japan (213)	131.17	−0.1	123.23	117.60	+0.1	4.84	131.28	123.03	117.60	140.05	111.93	123.22
World Ex. US (1858)	159.46	+0.1	149.82	146.63	+0.1	1.69	159.37	149.36	146.44	166.35	141.49	152.65
World Ex. UK (2099)	151.71	+0.0	142.54	144.78	+0.1	2.00	151.65	142.12	144.46	156.04	136.98	135.16
World Ex. So. Af. (2344)	150.79	+0.1	141.67	143.74	+0.1	2.21	150.70	141.23	143.60	155.92	136.67	135.61
World Ex. Japan (1949)	133.55	+0.1	125.47	130.11	+0.1	3.48	133.45	125.07	129.94	140.43	114.51	111.53
The World Index (2404)	150.87	+0.0	141.76	143.74	+0.1	2.22	150.81	141.33	143.61	155.89	136.68	135.51

Latest prices were unavailable for this edition.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those *securities not included in the FT Share* Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's *Official List* the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the *International Stock Exchange of the United Kingdom* and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

Corporation and County Stocks
No. of bargains included2

Greater London Council6¾% Stk 90/92 - £86♦
Birmingham District Council11½% Red Stk 2012 - £102½
Leeds(City of)13½% Red Stk 2006 - £116♦
Newcastle-Upon-Tyne(City of)11½% Red Stk 2017 - £99 (14No89)

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

Corporation Stocks - Foreign

Sterling Issues by Overseas Borrowers

Banks and Discount Companies

Midland Bank PLC10¾% Subord Uns Ln Stk 93/98 - £94
14% Subord Uns Ln Stk 2002/07 - £111½
Mitsubishi Trust & Banking CorpCom Stk Y50 - Y2860 1 39 71 36 90 904.11
Mitsui Trust & Banking Company LdShs of Com Stk Y50 - Y2020 8 895 43.85
7% Cum Prf £1 - 68
9% Subord Uns Ln Stk 1993 - £89
12½% Subord Uns Ln Stk 2004 - £104½
Royal Bank of Scotland Group PLC11%

Breweries and Distilleries

Registered Housing Associations

Commercial, Industrial, etc

Financial Trusts, Land, etc

Insurance

Investment Trusts

Unit Trusts

Mines - Miscellaneous

Mines - South African

Oil

Property

Plantations

Railways

Shipping

Utilities

Water Works

USM Appendix

Corton Beach PLC7.5p (Net) Cnv Cum Red Prf 10p - 78
Darby Group PLCOrd 5p - 94 103
Dewey Warren Hldgs PLCVar Rate Cnv Uns Ln Stk 1995 - 297 (15No89)
Elan Corporation PLCOrd Ir£0.04 - I£7.35 p 630 (14No89)
Essex Furniture PLCOrd 5p - 42 5 (14No89)
FBD Holdings PLCOrd Ir£0.50 - I£1.01 (15No89)
Gibbon Lyons Group PLC7% Cum Cnv Red Prf £1 - 115 (14No89)
Gibbs Mew PLCOrd 25p - 290 (13No89)
Great Southern Group PLC6.75p Cum Cnv Red Prf 5p - 88 (10No89)
Midland & Scottish Resources PLCOrd 10p - 163
Millwall Holdings PLCOrd 1p - 22 4
Regal Hotel Group PLCOrd 2p - 160
Savage Group PLC6.5% (Net) Cum Red Cnv Prf £1 - 66 6 (13No89)
SelecTV PLCOrd 1p - 12
Sheldon Jones PLCOrd 25p - 80
Thorpac Group PLC8p Cnv Red Ptg Prf 2001/05 50p - 80 (15No89)
Transrap Hldgs PLCOrd 10p - 60 (10No89)
Vistec Group PLCOrd 1p - 13¾ .986 4 6¾
Wescol Group PLCOrd 10p - 95 ½ 6½ 100
Wyevale Garden Centres PLC8.5% (Net) Cnv Cum Red Prf £1 - 130 4
Xtra-Vision PLCOrd Ir£0.05 - I£0.9 I£0.92 I£0.93 I£0.95 p 86
Yelverton Investments PLC8% Cnv Uns Ln Stk 1997 - £68 (15No89)

The Third Market Appendix

Rule 535(2)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Minnesota Mining & Development 573.74252
Minolt Securities 9, A$0.199 (14/11)
Mount Martin Gold Mines A$0.48
National Convenience Stores $6¾,8 (14/11)
Niugini Mining 160, A$3.3
Nixdorf Computers Prf DM310.92
North Flinders Mines A$2.7 (15/11)
Oceaneering Int 525,535 (15/11)
Oil Search 30, A$0.667
Oilmex A$0.279 (15/11)
Otter Exploration A$0.17,19, A$0.188 (10/11)
Overseas Chinese Banking Corp S$10.7
Pakhoed Hldg NV Fl.126.74
Palabora Mining 925, 962 (15/11)
Pechiney Ugine Kuhlmann FR324.527 (13/11)
Pharmacia AB Sr B Free SK141.69,2,3,4,6,7
Regal Hotels (hldgs) 12½ (13/11)
Robinson & Co S$2.86 (10/11)
SAAB-Scania Ser A Freeles SK268,259.58
Samantha Exploration A$0.803 (15/11)
Sandoz AG PTG SF2036.43,2051.8,2015 (14/11)
Sherritt Gordon Mines 700 (15/11)
Singapore Land S$14.4545
Sky Line Explortn C$3.85, £2
Southwest Gold mines 1 (14/11)
Strategic Minerals Corp A$0.60,57.572 (14/11)
Teck Corp'A' C$25.675,25.725 (13/11)
Terrex Resources A$0.037,39 (14/11)
Thomson CSF FR165,9.25,7.4
Urcarco Inc Com Stk $11,¼,⅞,14,13⅛
Vam A$0.201 (15/11)
Vultan Minerals A$0.362 (15/11)
Westfield Minerals 65
Westralian Sands 180, A$3.68 (14/11)

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Firm performance by equity leaders

ANOTHER laboured trading session in UK equities saw share prices turn in a surprisingly firm performance despite discomforting news on domestic inflation. Business remained thin, although traders noted that UK insurance funds were willing to take stock, usually below prices quoted in the market. Trading was featured in the closing minutes by the placing of the remainder of the recent rights issue by Mount Charlotte Investments.

The news of the day was that UK inflation, as measured by the October Retail Price Index, shows an annualised gain of 7.3 per cent. This exceeded the forecast of around 7 per cent from equity market analysts, but it brought only a brief check for the FT-SE Index which had been edging higher since the opening of the session.

Account Dealing Dates		
*First Dealings:		
Oct 30	Nov 13	Nov 27
Option Declarations:		
Nov 9	Nov 23	Dec 7
Last Dealings:		
Nov 10	Nov 24	Dec 8
Account Day:		
Nov 20	Dec 4	Dec 18

*New time dealings may take place from 9.00 am two business days earlier

Equities resumed their cautious climb, helped along by a firm opening on Wall Street before closing just a few points under the day's best levels. At its final reading of 2,221.4, the FT-SE Index was a net 11.6 points higher on the session. The first week of the two-week equity trading account has brought a meagre gain in the Footsie Index of only 4.7 points, as equities first awaited, and then responded with caution to, the Autumn Statement on the UK economy from Mr John Major, the UK Chancellor of the Exchequer.

Seaq volume rose to 507.8m from Thursday's 351.3m, but took in the Mount Charlotte placing of just over 51m shares. The placing boosted the trading total for the beta section, the market's second line issues, for which individual turnover statistics are not given until the following day.

Equity strategists admitted to feeling slightly confused by the firmness of equities in the face of the disappointing news on inflation, although the October figure was seen as being in line with the medium term projections made this week by the UK Chancellor. The RPI figure had more adverse effect on UK Government securities, which were also depressed late in the session by a dip in sterling on the foreign exchange markets. Long-dated Gilts closed about ¾ down.

The corporate sector appears to be resisting thus far the squeeze on profits imposed by high interest rates, helped by its ability to pass on higher costs in the form of higher prices, according to Mr John Smith at Prudential-Bache. This week's favourable dividend news from British Gas, British Telecom and other leading names has sustained confidence in the outlook for share prices, if only in the near term.

Concern over the effects of low business volume on security firms' profitability remained high as one of the City of London's money broking firms was absorbed by a rival.

FINANCIAL TIMES STOCK INDICES

	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	83.71	84.12	84.29	84.33	84.35	88.21	89.29 (8/2)	83.71 (17/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.33	93.54	93.58	93.57	93.55	97.18	99.59 (15/3)	93.20 (19/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1768.3	1759.2	1759.4	1770.8	1771.4	1489.0	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	285.6	284.6	273.2	271.1	262.4	176.2	273.2 (15/11)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2221.4	2209.8	2203.4	2214.7	2213.2	1823.4	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.73	4.75	4.73	4.70	4.69	4.77				
Earning Yld %(full)	11.33	11.38	11.34	11.28	11.26	11.97				
P/E Ratio(Net)(☆)	10.66	10.61	10.65	10.71	10.73	10.11				
SEAQ Bargains(5pm)	22,417	21,962	21,046	21,750	24,703	23,588				
Equity Turnover(£m)†	-	1129.73	571.91	635.41	623.12	1213.52				
Equity Bargains†	-	20,716	21,338	21,950	25,473	25,760				
Shares Traded (ml)†	-	384.2	275.8	293.8	308.1	448.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.56

Ordinary Share Index, Hourly changes Day's High 1771.3 Day's Low 1761.2

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1761.2	1766.0	1766.3	1768.6	1768.4	1768.5	1768.4	1771.3

FT-SE, Hourly changes Day's High 2223.5 Day's Low 2212.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2212.5	2217.5	2218.1	2219.7	2219.4	2218.2	2218.4	2223.3

GILT EDGED ACTIVITY

Indices*	Nov 16	Nov 15
Gilt Edged Bargains	82.2	83.9
5-Day average	83.2	82.1

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	6,600	136	+2
Abbey National	5,700	156½	+1½
Allied-Lyons	1,900	472	+2
Amstrad	1,300	47	
Argyll Group	2,600	209	
Ass. Brit. Foods	230	397	+2
BAA	467	348	+1
BAT Inds.	1,200	795	-3
BET	1,000	262	+9
BICC	33	465	-3
BOC	197	582	+3
BPB Inds.	54	292	+1
BTR	1,200	424	+7
Barclays	2,200	527	+8
Bass	661	967	-2
Blue Circle	439	220	+2
Boots	475	273	-3
Brit. & Comm.	1,900	114	-1
Brit. Aerospace	309	538	-1
British Airways	2,900	201½	+2½
British Gas	9,100	203½	+2
British Land	876	307	-7
BP	2,700	299	+3½
British Steel	9,300	127¼	+1
British Telecom	2,500	269½	+2½
Burmah Oil	118	662	
Burton	2,400	181	-4
Cable & Wireless	2,700	581	
Cadbury Schweppes	3,917	344	+10
Carlton Comms.	650	845	+27
Commercial Union	757	447	
Cookson	1,700	261	+2
Courtaulds	354	352	+1
Dalgety	179	375	+5
Dixons	596	107	
Eng. China Clays	419	389	-7
Enterprise Oil	1,000	623	+3
Fisons	809	331	+2
General Accident	427	1042	
General Elect.	1,600	219½	-½
Glaxo	447	1455½	+9½
Globe Inv.	257	184½	+½
Glynwed Int.	474	246	+1
Granada	3,600	323	+12
Grand Met.	641	527	-1
GUS A	33	1019	-2
GRE	217	219½	-½
GKN	678	385	
Guinness	891	588	+1
Hammerson 'A'	240	769	-4
Hanson	5,100	221½	
Harrisons & Cros.	79	148	-1
Hawker Siddeley	333	635	+1
Hillsdown Hldgs	658	264	+2
IMI	58	209	-½
ICI	758	1091	+4
Inchcape	862	268	
Jaguar	956	831	
Kingfisher	56	277	-2
Ladbroke	1,500	307	+4
Land Securities	1,800	512	-11
Laporte	181	468	+3
Legal & General	1,300	378	+1
Lloyds Bank	1,100	428	+12
LASMO	492	522	-2
Lonrho	940	258	
Lucas	167	580	
MB Group	512	139	
MEPC	135	499	-5
Marks & Spencer	1,000	193	-1
Maxwell Comm.	299	226	
Mecca Leisure	781	153½	-1½
Midland Bank	339	344	+5
NatWest Bank	1,600	337	+8
Next	1,700	95	+2
Northern Foods	95	392	
Pearl	1,400	690	+1
Pearson	352	721	
P & O	611	575	+5
Pilkington	727	232½	+1½
Polly Peck Intl.	1,500	371	+4
Prudential	955	198½	
RHM	950	429	+8
RMC	279	654	+7
RTZ	936	536	-2
Racal	1,506	236	+2
Rank Org.	469	870	+13
Reckitt & Colman	216	1158	+22
Redland	502	525	+2
Reed International	246	485	
Reuters	1,000	985	+3
Rolls Royce	2,200	167	-½
Rothmans	396	636	+6
Royal Bk of Scotland	1,400	187	+10
Royal Insurance	1,300	479	+4
STC	762	274	
Saatchi & Saatchi	1,200	315	+9
Sainsbury	1,800	255	+1
Scott & Newcastle	61	355½	-1½
Sears	697	106	-1
Sedgwick	222	283	+1
Shell Transport	1,800	432	+3½
Siebe	999	440	-1
Slough Ests	733	309	+4
Smith & Nephew	624	136½	
SmithKline Beecham	805	546	+4
Smiths Industries	231	270	+1
Standard Chartered	424	515	+4
Storehouse	1,100	113	-1
Sun Alliance	372	798	-1
TSW	9	182	
TI Group	367	424	-1
TSB	2,800	114½	-1½
Tarmac	616	243	+4
Tate & Lyle	1,000	263	+½
Taylor Woodrow	193	365	-1
Tesco	2,800	196	+1
THORN EMI	470	749	+6
Trafalgar House	627	345	+8
Trusthouse Forte	1,200	286	
Ultramar	197	332	+1
Unilever	1,000	656	+2
United Biscuits	1,800	360	+1
Utd. Newspapers	328	468	+1
Wellcome	1,100	715	-9
Whitbread 'A'	299	368	+1
Williams Hldgs.	277	229	+3
Wimpey	764	234	-5

Ferranti steady on revision

The list of shocks from Ferranti, the troubled electronics group, grew longer yesterday with news that the group has revised downwards its full-year results to £13.1m compared with the original figure of around £55m and also had its accounts qualified. The latest revision – from an earlier revision of £27.5m – came in the wake of information unrelated to the problems arising from Ferranti's International Signal subsidiary which caused Ferranti to write off £215m.

Ferranti shares dipped to 52p before closing at 53½p down 1½ on turnover of 5.8m shares. Ferranti confirmed to analysts, at a meeting following publication of the revised accounts, that it had held talks with 12 groups interested in possible links with Ferranti.

One electronics specialist said he thought there was little downside in the Ferranti share price from current levels. "The figures are no longer of any real significance; what is significant to potential bidders is the size and quality of Ferranti's order book," he said.

Mr Brian Newman of Henderson Crosthwaite took a much more positive stance. "We expect a full bid of around 70p a share before Christmas." He added that " the discovery of any further provisions, given the multiplicity of auditors scrutinising the accounts, would need the use of an electron microscope."

Ranks active

Ranks Hovis McDougall rose 8 to 429p after news that Sunningdale's 29.9 per cent stake had not been referred to the Monopolies and Mergers Commission.

Despite the share price rise, analysts counselled caution. "This news should not be taken as meaning that a full bid would not be referred to the MMC. Goodman Fielder Wattie's stake in RHM was not referred but its full bid was," said Mr Carl Short of Kitcat & Aitken.

Mr John Campbell of Prudential-Bache said the news made the chances of success for Sunningdale higher, if a full bid was made. But he added that the situation was unstable: "Because of the difficulties Goodman had in placing its RHM stake, it won't be easy for Sunningdale to find a corporate buyer, if that is there intention."

Attention will focus next week on RHM's final results. On Wednesday, analysts expect RHM to unveil profits of between £175 and £180m, compared with £156.6m last year. Ranks traded 1.2m shares.

Mount Charlotte moved in a narrow range as its revealed the results of a rights issue to help pay for Scottish and Newcastle's Thistle Hotels chain bought in September for £645m. Some 61.1 per cent, or 80.9m shares, of the issue was taken up and the remainder placed at 72.4p (roughly the 72p rights issue price after dealing expenses) before the market closed.

The shares had slipped from a high of 74p on news of the limited take up of the issue, bottomed at 72½p before recovering as the rump was placed to close a ¼ firmer on the day at 73½p.

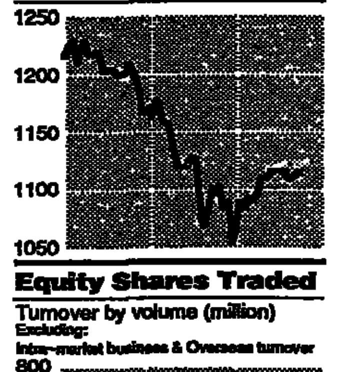
IEP, run by Sir Ron Brierley, the New Zealand entrepreneur, took up its full allocation of the shares, and bought part of the placing to raise its stake in Mount Charlotte from 20 to 27 per cent.

Cadbury Schweppes was actively traded as investors favoured its defensive qualities. Furthermore, dealers said it had underperformed in recent weeks and had been lagging United Biscuits. A modest turnover of Cadbury options was also seen as supporting the market. Cadbury's closed 10 higher at 344p, having traded a large 4.1m shares, while United Biscuits ended a penny up at 360p on 1.8m shares.

Hazlewood were depressed after BZW analysts recommended switching into Albert Fisher. Hazlewood ended 5 lower at 220p, while Albert Fisher finished a penny lower at 110p.

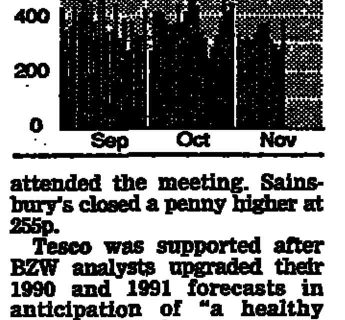
Sainsbury's edged higher after an analysts meeting. "Sainsbury's were very positive and very bullish. It's unlikely anybody will bring out a sell-note after that meeting," said one analyst who attended the meeting. Sainsbury's closed a penny higher at 255p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Tesco was supported after BZW analysts upgraded their 1990 and 1991 forecasts in anticipation of "a healthy Christmas" and strong current sales. BZW expect 1990 profits of £356m compared with £331m previously forecast, and in 1991 it expects £408m against £388m. Tesco gained a penny to 196p.

Barclays Bank rose strongly, closing 8 up at 527p with dealers expecting the bank to announce soon a further provision of around £700m to bring its cover for third world debts up around 70 per cent, along with Lloyds and NatWest. Lloyds added 12 at 428p and NatWest 8 to 337p.

Royal Bank of Scotland attracted support to close 10 higher at 187p. There was speculation in the market of a possible share-swap with Banque Nationale de Paris, along the lines of the Royal's link with Banco Santander, of Spain, and also stories of possible stake-building. But the Scottish bank denied the story of share swaps with any Continental bank. Royal Bank is scheduled to announce preliminary figures on November 30 and is expected to make a further LDC provision of around £100m.

Brown Shipley, the merchant bank closed 20 up at 360p after Sofigen Mann revealed it had acquired a 6.86 per cent stake in the bank. Morgan Grenfell put on 7 to 479p with Hanson thought to have sold most of its shares in the merchant bank.

British Gas attracted a fresh bout of buying interest, partly reflecting the good dividend announced on Thursday along with the promise of a more generous payout policy in coming years and partly on optimism over next Wednesday's seminar on the group's exploration and production interests. At the close Gas were 2 higher at 203½p on 9.1m.

Enterprise Oil made further progress, touching 631p before closing a net 3 up at 623p amid hints that Elf, the French state-owned oil company which has a near 25 per cent stake in Enterprise, is seeking to raise money via a convertible preference issue in the US, possibly to finance a full-scale bid for Enterprise. But specialists said the fund raising could well have been carried out to finance the current restructuring of the French chemicals industry.

The vote by LWT shareholders to accept the company's capital restructuring scheme pushed the shares 19 better to 212p. It ended the uncertainty that has weakened the shares in recent days and is seen by analysts as improving the chances of the company keeping its franchise when its licence expires in 1992. The restructuring is intended to prevent defections by senior management through the promise of blocks of shares in 1993-4 whose value depends on the performance of the shares in the meantime.

Other television contractors shares also had a good day, Anglia firmed 5 to 248p, Central added 11 at 695p, HTV climbed 5 to 122p while Thames closed 12 up at 490p. "We expect other TV companies to take less elaborate steps than LWT to lock in their senior management," said Ms Bronwen Maddox, media analyst at Kleinwort Benson. Another analyst said that Scottish TV, 5 up at 484p, was particularly well placed because of its strong cash position.

Granada also rose, but based on stories that Mr Rupert Murdoch, the media entrepreneur, had built-up a near 5 per cent stake. Dealers and analysts disbelieved the stories while informed sources said a 4 per cent stake in Granada had indeed been accumulated, but by an institution. The shares slipped from a high of 326¼p to end 12 better on the day at 323p.

BET rose 9 to close at 262p ahead of Monday's interim figures. BZW said it expected £145m, against £120m last time. The company also said it had acquired Transportledrijf, a Dutch contract distribution company.

Trafalgar House moved up 8 to 345p on hopes that the company would win contracts for the construction of the new London Underground line, approval for which was announced by the Government on Thursday. An analyst said: "they are so big they are bound to get a slice of the cake."

Fears of a fall in the demand for platinum left Johnson Matthey 9 lower at 368p.

Suter fell on a profits downgrading from County Natwest Woodmac. County now expects full year profits of £37m down from its previous forecast of £44m and is predicting £36m for 1990 instead of £49m. County said: "The industrial and distributive activities continue to perform well but we are concerned about the weakening environment in the commercial property sector and a worsening of conditions for head office activities." Shares closed at 158p, down 14.

A downgrading from Charterhouse Tilney undermined laundry group Johnson Group. Shares closed at 603p, a fall of 70. Charterhouse had forecast profits to reach £22m but now says Johnson is unlikely to reach that figure. As with rival Sketchley, which published lower than expected profits figures on Thursday, the long hot summer is being blamed for the shortfall.

Higgs & Hill were finally 16 firmer at 305p with dealers citing increased Government spending on infrastructure and talk of a tip sheet recommendation as being behind persistent buying of the stock.

British Steel went a penny better to close at 128p on the back of favourable results published on Thursday. Over 10m shares were traded as dealers spoke of a 4m share agency cross in New York, at a price equivalent to 128p.

Amersham, which released worse than expected interim results earlier in the week, firmed 12 to 368p as it was revealed that Clerical Medical Investment Group was the holder of a 4.93 per cent stake in the company.

Dr Erling Refsum, analyst at Nomura Research Institute said: "The share price is now being driven by bid stories. In the short term, things don't look wonderful for the company. Its share price is now 20 times prospective p/e which is nearly a takeover multiple. The longer term prospects look better because the company has strong niche markets and interesting radiopharmaceuticals like Ceretec."

Analysts trimmed their forecasts for Burton profits in the wake of Thursday's full year figure of £210m. The shares slipped 4 to 181p. Some analysts remained positive on the stock. Ms Sara Carter, at BZW, which is now expecting £220m for the current year instead of £240m, said: "We find it difficult to see how this well managed company will report a decline in profits for the current year in the current retail climate."

Outdoor advertising contractor More O'Ferrall jumped in the hope that the 4.99 per cent stake taken by Dublin-based Independent Newspapers would become the basis for a bid. Buyers were seen at above the £4 level but profit-takers moved in to leave the shares 58 better on the day at 393p.

Carlton Communications put in another strong showing. They jumped 27 to 845p. Thursday's sale of a 49 per cent stake in an independent production subsidiary, Zenith, to Paramount continued to attract interest. Analysts said the undisclosed cash consideration was not significant, probably between £10m and £20m, but that the strategic tie up was.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 11.

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (28).
BRITISH FUNDS (1) Treas. 2pc. IL 1990, AMERICANS (2) CPC Intl., Pacificorp. CANADIANS (1) Cons. TVX Min. Crp., BANKS (2) Brown Shipley, Schroders, STORES (1) Clinton Cards, ELECTRICALS (2) Admiral Computing, Borland Intl. Inc., INDUSTRIALS (2) Eurocopy, Jardine Hldg., INSURANCE (1) Aon Corp., PAPERS (1) TMD Advertising, TRUSTS (8) Baltica Hldg., Drayton Far East, Do. Wrrnts 1992-1991, Govett Oriental, Overseas Inv. Tst. Wrrnts., Templeton Emerg. Mkts., MINES (1) ACM.
NEW LOWS (47).
BRITISH FUNDS (8) Consols. Conv. 9pc. Ln., Exch. 12pc., Treas 14½pc. 1994, Treas. 9pc. 2008, War Loan 3½pc., INT.BANK & O'SEAS GOVT. STLG. ISSUES (4) Asian Dev. Bk. 10¼pc Ln. 2009, Australia 11½pc. Do. 13½pc., Euro Inv. Bk. 10½pc 2004, FOREIGN BONDS (2) Hydro Quebec 15pc 2011, Iceland 14½pc., AMERICANS (3) Dunn & Bradstreet, General Host, Lone Star Inds., CANADIANS (1) Gt. Pac. Res., BUILDINGS (2) Gibbs Dandy, Hewetson, STORES (2) DAKS Simpson, Empire Stores Grp., ELECTRICALS (2) Northamber, Nth Telecom, ENGINEERING (1) Wood (S.W.), INDUSTRIALS (10) Assoc. Energy, BSS Grp., Benson Grp., Coloroll, Halls Homes & Gdns., Kleen-E-Ze Hldgs., Oakwood Grp., Scot Heritable Tst., Scott Robertson, Suter, LEISURE (1) Trilion, NEWSPAPERS (1) Intl. Bus. Comms., PAPERS (1) Waverley Cameron, PROPERTY (5) Fist Intl. Prp. Opts., Land Securities, Marylebone Ests., Salimanns (U.K.), Slough Est., SOUTH AFRICANS (1) Abercom, TRUSTS (4) London Amer. Vent. Tst., Murray Venture Wrrnts., Siam Fund, UTC, OILS (1) Oliver Res.

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	7	92	3	100	356	58
Corps. Dom. & Foreign Bonds	0	11	32	30	48	137
Industrials	381	283	936	1,625	1,840	4,546
Financial and Props	203	85	389	811	645	1,921
Oils	33	18	42	132	118	219
Plantations	0	2	7	5	7	33
Mines	41	40	85	286	201	401
Others	68	70	122	372	340	589
Totals	733	601	1,615	3,311	3,555	7,904

LEADERS AND LAGGARDS

Percentage changes since December 30 1988 based on Thursday November 16 1989

Gold Mines Index	+	63.43	Food Manufacturing	+	17.31
Agencies	+	42.22	Insurance(Brokers)	+	16.89
Health & Household Products	+	40.05	Leisure	+	16.27
Insurance(Life)	+	36.92	Financial Group	+	15.57
Motors	+	36.84	Chemicals	+	13.77
Merchant Banks	+	32.69	Transport	+	13.49
Investment Trusts	+	30.40	Mechanical Engineering	+	12.42
Food Retailing	+	27.27	Capital Goods	+	11.50
Conglomerates	+	26.76	Stores	+	11.18
Brewers and Distillers	+	25.87	Publishing & Printing	+	10.91
Oil & Gas	+	24.86	Telephone Networks	+	9.78
Other Groups	+	23.93	Building Materials	+	9.75
Mining Finance	+	22.11	Textiles	+	9.11
Insurance(Composite)	+	22.01	Electricals	+	8.47
Consumer Group	+	21.92	Overseas Traders	+	8.35
Banks	+	21.56	Electronics	+	8.09
Other Industrial Materials	+	21.52	Metals & Metal Forming	+	0.90
500 Share Index	+	20.33	Packaging & Paper	+	0.57
All Share Index	+	19.79	Property	-	2.97
Industrial Group	+	19.66	Contracting,Construction	-	6.14

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	103-30	-11/32	11.81	11.49	11.53
	9.750	1/98	94-15	-12/32	10.78	10.62	10.61
	9.000	10/08	92-18	-22/32	9.87	9.70	9.61
US TREASURY *	8.000	8/99	100-05	-8/32	7.85	7.97	7.98
	8.125	8/19	102-18	-11/32	7.90	7.89	8.01
JAPAN No 111	4.600	6/98	94.7511	+0.003	5.50	5.55	5.32
No 2	5.700	3/07	101.5947	-	5.52	5.49	5.23
GERMANY	6.750	8/99	95.2000	-0.300	7.48	7.29	7.01
FRANCE BTAN	8.000	7/94	93.7719	-0.374	9.70	9.45	9.15
OAT	8.125	5/99	94.0100	-0.360	9.07	8.97	8.81
CANADA *	9.500	10/98	100.0000	-0.250	9.50	9.45	9.52
NETHERLANDS	7.250	7/99	96.2400	-0.260	7.81	7.69	7.46
AUSTRALIA	12.000	7/99	93.1052	-0.098	13.28	13.39	13.61

London closing. *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Coffee dips ahead of producer talks

COFFEE PRICES fell sharply on the London Futures and Options Exchange yesterday as hopes faded that significant progress could be made at next week's producers' meeting in Costa Rica. The March position, which had surrendered £9 of last week's £14 rally by Thursday's close, ended the day £20 down at £685 a tonne.

Traders said optimism about the Costa Rica meeting had resulted in the market becoming overbought. Yesterday it was "going through a correction" as it became clear that uncertainty would continue to surround Brazil's coffee policy for some time, they added.

Earlier in the week Mr Jorio Dauster, president of the Brazilian Coffee Institute had warned against speculation that the meeting could lead to the revival of the ICO's export quota system. "Every time there is one of these meetings," he said, "there is speculation that a new accord will emerge. The markets should see these events realistically and not expect any concrete outcome."

The suspension of export quota arrangements under the International Coffee Agreement on July 4 followed the failure of attempts to persuade Brazil to allow a reduction in its 30 per cent quota allocation. Since then Brazil has shown little interest in reviving the pact, prefering to concentrate on maximising its market share.

The free-for-all in the world coffee market has resulted in a heavy fall in prices – immediately before the quota suspension nearby futures on the London market had been trading above £1,000 a tonne. The cost of this slide to producers could add up to $4bn next year, according to a World Bank report that will be put before next week's meeting. The Bank projects that revenues will be 35 per cent lower than they would have been under the quota system, at about $7bn.

On the cocoa market, meanwhile, prices fell to fresh 14-year lows as fears of a squeeze on nearby supplies continued to ease. The March delivery position closed yesterday at £674 a tonne, down £35 on the week.

Concern about the large weight of uncovered positions on the December contract resulted in the December/March premium widening to £48 a tonne on Monday. Three weeks ago the "open position", as it is called, amounted to 19,010 lots of 10 tonnes each and at the end of last week it was still at 17,516 lots. By Thursday's close, however, it had shrunk to 15,632 lots and yesterday the December premium narrowed to £11 a tonne.

Liquidation of December positions has been encouraged by the progressive increasing by the exchange of the margin requirement (or deposit) on that contract from the normal £40 a tonne to (from this Wednesday) £500 a tonne. On November 27 it will rise to £600 a tonne and from December 5 it will be 100 per cent of the contract price.

This Wednesday also saw the disappearance of another worry with the expiry of options to buy 23,400 tonnes of cocoa at £800 a tonne for December delivery. As the December price rose last week it looked, for a while, as if it might just creep above the £800 a tonne mark before the expiry of the options. And it was suggested that even if the price fell a little way short it might still be worth the holder operating them as the granters' need to cover in the market would be likely to push the December futures price into the £800s.

In the event, however, reports of substantial producer sales, notably by the Ivory Coast, weighed the market down and the price remained comfortably below the required level.

The London Metal Exchange had a relatively quiet week with cash copper see-sawing to a £74 fall at £1,612 a tonne and zinc and lead remaining in their recent ranges. Aluminium's rally ran out of steam and last week's $75 advance in the cash position was wiped out with an $85.50 fall to $1,717 a tonne. Tin continued weak with the cash quotation dipping to a life-of-contract low of $6,780 on Monday. But by yesterday's close it had recovered to $6,910, down $220 on the week.

Mr Don Phillips, chairman of Inco, the world's biggest nickel producer, said in Toronto this week that his company had bought 36,300 tonnes of the metal on the LME this year to keep pace with demand. But with demand now much reduced the exchange's cash price remains near the bottom of this year's range at $10,175 a tonne, up $50 on the week.

Gold continued to rise this week on bullish fundamentals and strong market sentiment, and its strength spilled over into silver, which reached 6-month highs. On the London bullion market gold followed up last week's $5 rise with a $6 gain, taking it to $391.25 a troy ounce, while spot silver gained 34 cents to 559 cents an ounce.

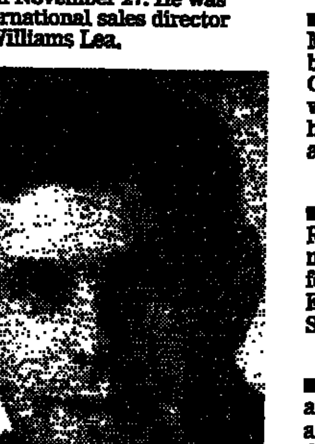
APPOINTMENTS

National Mutual UK chief

■ Mr Colin Baxter, managing director of the ACC Group, has been appointed managing director of NATIONAL MUTUAL LIFE ASSOCIATION OF AUSTRALASIA's UK operations. He has been with the group in Australia since 1979, and succeeds Mr Robert Taylor who retires at the end of the year.

■ Mr Paul Hyde-Thomson, chairman of Ibstock Johnsen, has been appointed a non-executive director of SIMONS GROUP, Lincoln.

■ Mr Martin Tamlyn has been appointed sales and marketing director of GREENAWAYS from November 27. He was international sales director of Williams Lea.



Mr Alan Parsonson (above) has been appointed managing director PROVIDENCE CAPITOL FUND MANAGERS. He was general manager, and succeeds Mr John Gordon who remains a non-executive director.

Sir Denys Henderson (above), chairman of Imperial Chemical Industries, and a non-executive director of Barclays, has been appointed a non-executive director of THE RTZ CORPORATION.

■ Former Conservative Euro MP Mr Andrew Pearce has been appointed European Community affairs adviser within the LITTLEWOODS home shopping, chain stores and financial services group.

■ Mr Robin Gaskin has joined ROCKWARE GROUP as managing director responsible for South Wales Packaging, Ebbw Vale, and Plaspak, Swindon.

■ SEMA GROUP has appointed Mr Peter Howson as finance division managing director; Mr Simon Rubin becomes director, wholesale finance operations; and Mr Tony Miller, director, retail finance operations.

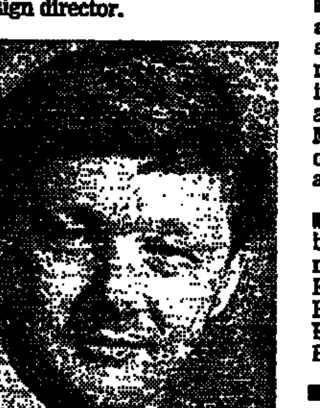
■ Mr Alan C. Walker has been appointed vice president and manager in the London regional office of BECHTEL CONSTRUCTION CO.

■ SGL COMMUNICATIONS has appointed has appointed Ms Lucy Grammer as development director.

■ Mr Gordon Campbell, a COURTAULDS main board director, has taken over responsibility for Films and Chemicals in addition to his current responsibilities for Advanced Materials, Engineering, Central Trading, Fibres, and Acetate.

■ Mr Peter Johnson has been promoted to director of Arlington Contracts, part of WINCANTON CONTRACTS. He was national sales manager.

■ TAYWOOD ENGINEERING, part of the Taylor Woodrow Group, has made the following appointments: Dr Roger Browne, assistant managing director; Mr Roger Blundell, research and testing director; Mr Dick Crowder, special projects division director; and Mr Roy Warren, production design director.



Mr Jim Noble (above) has been appointed director of information technology for the Edinburgh-based offshore and structural division of TRAFALGAR HOUSE. He was with Ferranti International.

Mr Malcolm Heald (above) has been appointed finance director of CHARTWELL LAND INVESTMENTS and Chartwell Land Development. He joins from Charlie Browns' where he was finance and systems director.

■ BELL & HOWELL has appointed Mr Michael Muller as director and general manager of UK and international microfilm sales and service operations; and Mr David Rudge as director of business development. Both are new posts.

■ Mr David Broadhead has been appointed general manager of DAVID BROWN FABRICATIONS, Sheffield. He was project manager, David Brown vehicle transmissions, Huddersfield.

■ Mr Shafiq Arain has been appointed a non-executive director of EQUATORIAL BANK.

■ LAWSON MARDON GROUP has appointed Mr Martin R. Higginson as sales and marketing director, LMG Cambridge (previously MFP Melbourn). He was field sales manager, Lawson Mardon Flexible.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
30 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
American Income	6	55 34	55 34	59.19	+0 02	4 63
Gilts & Fixed Int	6	108 6	108.6	115 2	- ...	8 69
High Inc Equity	6	129 0	131 9xd	140 4	+0 60	4.52
Worldwide Bond	6	204 3	204 3xd	216.5	-0 60	4.90
Capital Growth						
American Growth	6	201 9	203 7	216 8	+0 30	0 88
Asian Pacific	6	115 7	118 0	125 6	+0 70	1 04
Assets & Earnings	6	152.3	152.3xd	162 9	+1 30	2.27
Capital Reserve Acc	0	87 80	87 80	87 99	+0 03	4 95
Capital Reserve Inc	0	77 93	77 93	78.11	+0 03	5.12
Commdty & Energy	6	116 3	118.7	126.3	+0 60	1 50
1992 Enterprise	6	59 16	59 16	63 28	+0 43	2 02
Euro Capital Acc	6	94.46	95 22	101 3	+0 80	0 74
Euro Capital Inc	6	91 08	91 82	97 69	+0 74	0.77
General	6	173 90	173 0	185 1	+1.1	2.70
International	6	57 09	57 67	61 3x	+0.3	0 81
Japan	6	123 30	125.5xd	133 6	+0 1	0 00
Mastertrust	6	91 00	91 00	97 33	+0 37	1 75
UK Growth Acc	6	176 30	176 30xd	188 6	+0 3	1.48
UK Growth Dist	6	116 4	116 4xd	124 5	+0 2	2.25
US Emerging Cos	6	54 59	56 00xd	59 58	+0.28	–
Income & Growth	6	291 9	298 6xd	317 7	+1.3	3 23
Ethical	6	46 10	47.35	50 38	+0.11	1 98

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Amer Inc & Growth	5¼	33 59	33 59xd	35 86	+0 06	2 70
European	5¼	72 56	72 79	77.70	+0 01	0 00
European Income	5¼	69 39	69 39xd	74 08	+0 82	2 43
Exempt	1	757 80	757 80xd	788 10	+0 80	1 80
Extra Income	5¼	42 31	42 31	45 17	+0 11	4 51
F East Emerg Econs	5¼	62 09	62 35	66 79	+0 91	0 18
Fund Inv Tst	5	126 50	129 20xd	139 0	+0.20	1.85
Do Accum	5	197 50	202 70xd	216 30	-0 50	1.85
Gilt & Fixed Int	5¼	20 47	21 22	22 65	-0 09	10 97

Prolific Unit Tst Mngrs Ltd (1200)H
222 Bishopsgate, London EC2 01-247 7544/7

American Income	5	66.42	66 93	71.44	+0.21	3 50
Conv & Gilt	5	119.7	119 7xd	128.1	+0 2	6 76
Euro Gwth & Inc	5	53.51	53.51	57.29	+0 41	1.71
Extra Income	5	128 2	130.0	138.9	+0 5	5 06
Far East	5	269.9	270.4	288.3	(z)	0.01
High Income	5	84.61	84.61xd	90.39	+0.25	4.95
International	5	158.1	158.1xd	168.1	+0.4	0.44
Nth American	5	159 6	161.2xd	172.5	+0.4	0.01
Pref & Fxd Int	5	44 89	44 89xd	48.06	-0.6	8.40
Special Sits	5	107.5	107.5	115.0	-1.1	1.66
Technology	5	142.5	142.5	152.0	-0.25	0.22

Providence Capital Fd Mgrs Ltd (1000)H
30 Uxbridge Road, London W12 8PG 01-749 9111

European Acc	5	128.90	128 90xd	138.10	+1.0	0.57
European Inc	5	123.80	123.80xd	132.60	+0 9	0.57
Japan Acc	5	126 70	126.70xd	135.60	-0.2	0.00
Japan Inc	5	126.50	126.50xd	135.30	-0.2	0.00
Nth American Acc	5	69 10	69.10	73.13	+0.23	1.40
Nth American Inc	5	66.23	66.23	70.38	+0.22	1.40
UK Equity Acc	5	81.76	81.76	87.85	+0.52	3.11
UK Equity Inc	5	74.14	74.14	79.66	+0.29	3.11
Worldwide Acc	5	112 00	112.00	119.60	+0.3	0.31
Worldwide Inc	5	107.30	107.30	114.60	+0 4	0.31
UK High Inc Eq Acc	5	78.57	78.57	84.91	+0.49	6.04
UK High Inc Eq Inc	5	69.13	69.13	74.72	+0.43	6.04
Hong Kong Acc	5	48.00	48.00	51.21	+0.26	2.78
Hong Kong Inc	5	45.81	45.81	48.88	+0.25	2.78
Swiss Equities Acc	5	38.37	38.37xd	41 28	-0.02	1.13
Swiss Equities Inc	5	37.68	37.68xd	40.53	-0.01	1.13
W'wide Bond Acc	5	55 89	55 89	58.96	+0.11	5.76
W'wide Bond Inc	5	53.18	53.18	56 09	+0 09	5.76
Emerging Asia Acc	5	96.45	96.45	103 30	+0 2	0.00
Emerging Asia Inc	5	96.45	96.45	103 30	+0.2	0.00
UK Money Mkt Acc	0	51.08	51.08	51.08	.....	14.00
UK Money Mkt Inc	0	51.08	51.08	51 08	.....	14.00
Thailand Inc	5	50.02	50.02	53.57	+1.03	0.57
Thailand Acc	5	50 02	50.02	53.57	+1.03	0.57

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3903

PM Equity Gth	5	116.7	116.7	124.1	+0.5	2.78
PM Income & Gth	5	94.91	94.91	100.9	+0.95	4.33

Scottish Amicable Ut Tst Mgrs Ltd (1200)H
150 St Vincent St., Glasgow G2 5NQ 041 204 2200

Equity Income	6	42.66	43 84	46 69	-0.02	6.67
Equity Tstr(10-1)	6	43.86	44.88	47.80	+0.17	2.87
Equity Strategy	6	51 67	53.01	56 46	.....	3.98
European Opps	6	59.36	60.17	64.08	+0.63	1.96
UK Smaller Co's	6	44.14	46.19	49.19	-0.49	2.22

Scottish Equitable Fd Mgrs Ltd (1000)H
28 St Andrews Sq, Edinburgh 031-556 1051

Intl Income	3¼	178.1	178.1xd	187.8	.....	2.34
Intl Accum	3¼	282.8	282.8xd	298 1	.....	2.34
UK General Acc	5	42.83	43.51	46.42	+0.21	3.38
UK General Inc	5	38.90	39.52	42.16	+0.19	3.38
American	5	36.69	37.03	39 50	-0.09	2.15
European	5	54.26	54.52	58 16	+0.37	1.26
Japan	5	77.82	78.02xd	83.22	-0.12	0.03
Technology	5	49.68	49.85	53.18	+0 07	2.29
Ethical	6	21.03	21.48	22.97	+0.04	–
Performance Trusts						
Europe 2000 Tact Perf	5¼	35.92	36.05	38.55	+0.31	–
Far East Perf	5¼	35 69	35.94	38.34	-0.06	2.00
High Inc Perf Inc	5¼	26.01	26.94xd	28.31	+0.13	5.36
High Inc Perf Acc	5¼	29.07	29.67xd	31.64	+0.15	5.36
UK Blue Chip Perf	5¼	23 66	23.66	25.18	-0.06	–
UK & Global Perf	5¼	23.93	23.93	25.50	+0.12	–
W'wide Tact Perf	5¼	39.44	39.44	42.18	-0.12	2.72

Scottish Life Investments (1200)H
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	5	247.3	248.1	264.4	+0.7	3.33
Columbus (US) (z)	5	183.2	183.3	196.0	+0.6	1.23
Marco Polo (Pacif)	5	274.9	280.0	299.5	+0.3	0.48
Da Vinci (Eur)	5	306 2	314.2	336.0	+1.9	1.64
Drake (Wld)	5	71.40	72.46	77 50	+0.37	0.78

Scottish Mutual Inv Mngrs Ltd (1000)F
109 St Vincent St, Glasgow G2 5HN

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours, ♦ - 1101 to 1400 hours, ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1					01-407 4404	
Wellington Income	6¼	134.8	136.3xd	145.0	+0.7	5.03
Wellington Growth	5¼	217.5	219.4xd	233.4	+0.6	1.35
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW. 0202 299432						
Wessex UK Grth	4½	107.0	110.8	115.3	.....	2.90
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT					01-606 3132	
Challenger ‡ F	2½	60.64	60.64xd	62.13	+0.28	0.00
Short Dtd Gilt ♦ F	1¼	81.82	81.82	83.01	+0.01	7.17
B.S. Sovmt Bond ‡ F	1¼	5.5768	5768xd	5044		0.00
Willbro Financial Services Ltd (0905)F						
PO Box 615 Austin Friars, London EC2					01-588 7511	
Aus Friars W'wide	5	189.1	193.0	205.3	.....	2.57
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD					01-405 8331	
Capital & Equity	5	55.81	58.95xd	62.71	-0.08	7.53
European	5	74.71	75.06	79.85	+0.04	0.10
Far Eastern	5	62.05	68.30	72.66	+0.33	0.64
Growth Inc	5	76.45	80.23	85.13	.....	1.59
Growth Acc	5	76.52	80.10	85.21	-0.01	1.59
Income Inc	5	74.78	77.06	81.96	-0.03	5.18
Income Acc	5	74.88	77.15	82.07	-0.03	5.14
Property Share	5	48.02	48.02	51.18	-0.04	1.09
Smaller Co's	5	45.52	48.52	51.71	-0.03	1.84
Nth American	5	64.56	64.56	69.04	+0.23	1.58
International	5	47.82	47.82	51.14	+0.06	1.44
Asset Value	5	158.72	158.72	169.74	+1.09	4.43
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Bloomfield St, London EC2M 7AY					01-588 0592	
Intl Growth	5	112.03	112.03	117.93	.....	3.98
UK Growth	5	92.66	92.66	97.54	.....	3.08
UK Income	5	95.95	95.95	101.00	.....	4.46
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	56.32	57.64	62.31	+0.28	2.68
YUTM Hi Eqty Inc Tst	5¼	55.55	57.46	61.13	+0.14	4.86
YUTM Intl Grth Tst	5¼	55.78	55.78xd	59.52	-0.09	0.73

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd					
Last November 15	554.2	574.8	.....	0.66	
Cent. Bd. of Fin. of Church of England					
2 Fore Street, London EC2Y 5AQ				01-588 1815	
Inv Fund Oct 31		312.35		.....	4.99
Fxd Int Sec Oct 31		136.45		.....	10.49
Deposit Oct 31		100.00		.....	

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
European Fd Acc(z)	264.6	278.5	+1.0	—
Intl Fxd Int Fd Acc(z)	211.5	222.3	+2.4	—
Fixed Int Acc(z)	346.6	364.8	-0.1	—
608 Money Fd Acc(z)	342.9	356.6	.....	—
High Income Fd Acc(z)	116.4	122.4	+0.7	—
Intl Man Fd Acc(z)	424.6	446.9	+1.4	—
Japan Fd(z)	314.2	330.9	-0.3	—
UK Smlr Co's Fd Acc(z)	111.8	117.6	.....	—
Europlus Metro	119.0	125.3	+0.1	—
Global Metro	106.6	112.1	+0.3	—
Sunrise Metro	124.0	130.5	.....	—
UK Metro	108.6	114.3	-0.1	—
Nth American Fd Acc(z)	212.9	224.0	+0.4	—
Pac Basin Fd Acc(z)	164.7	173.3	+0.6	—
Prop Fd Acc(z)	351.8	370.2	.....	—
Millennium	97.3	102.4	+0.2	—
Multiple Inv Acc(z)	722.1	760.1	+1.5	—
Pension Funds				
Brit Blue Chip Acc(z)	155.8	163.9	+0.6	—
Eq Pen Fd Acc(z)	2018.5	2124.7	+5.9	—
Euro Fd Acc(z)	358.7	377.5	+1.8	—
Fixed Int. Acc.(z)	720.3	758.1	.....	—
Gt Money Pn Acc(z)	446.3	469.8	+0.2	—
High Interest	151.4	159.3	.....	—
High Income Fd Acc(z)	122.3	128.7	+1.1	—
Intl Man Fd(z)	651.7	686.0	+3.8	—
Jap Pen Fd Acc(z)	450.8	474.5	-0.4	—
UK Smlr Co's Fd Acc(z)	115.9	122.0	.....	—
Europlus Metro	131.4	138.2	.....	—
Global Metro	112.41	118.3	+0.2	—
Sunrise Metro	139.0	146.2	.....	—
UK Metro	115.5	121.5	-0.1	—
N Am Pn Fd Acc(z)	268.3	282.3	+0.6	—
Pac Basin Fd Acc(z)	198.8	209.2	+1.0	—
Property(z)	623.4	656.2	+0.1	—
Multiple Inv Pens Acc(z)	1471.8	1549.2	+4.8	—
Bowley Funds				
Prof. Pen. Fd	98.2	103.3	+0.2	—
YRA Strategy	126.0	132.6	+0.3	—
YRA Performance	109.0	114.7	+0.2	—
Laughton Dollar (SE)	140.7	148.0	.....	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL			0793 514514	
Fixed Int. Dep. Acc	269.8	284.1	+0.1	—
Equity Acc	872.8	918.8	+1.9	—
Property Acc	518.9	546.3	.....	—
Far East Acc	221.7	233.4	+0.1	—
European Acc	24.5	25.8	.....	—
Managed Acc	688.7	725.0	+1.4	—
Managed Cap	388.1	408.6	+0.8	—
O'seas Earnings Acc	582.6	613.3	+1.1	—
Gilt Edged Acc	313.2	329.7	-0.7	—
American Equity Acc	486.1	511.7	+1.4	—

Continued on next page

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Premium Life Assurance Co Ltd

Prudential Holborn Pensions Ltd—Contd.

Prudential Pensions Limited

Scottish Equitable Life Assce. Soc.—Contd.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd—Contd.

Target Life Assurance Co Ltd—Contd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Sun Alliance Insurance Group

Sun Life Unit Assurance Ltd

Sun Life of Canada (UK) Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Standard Life Assurance Company

Zurich Life Assurance Co Ltd

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
133	124	Treas 2pc IL '90(84.6)	133	+1/16	2.09	9.98
99	98	Exch 11pc 1990‡‡	99¼	+1/32	11.10	14.44
101	99	Exch. 12½pc 1990	99¼	+1/16	12.59	14.52
96	91	Treas. 3pc 1990	96	......	3.12	11.92
97¼	95⅝	Treas 8¼pc 1987–90‡‡	97 xd	+1/32	8.49	13.75
98	95¼	Treas. 8pc Cv 1990 ‡‡	96½	+1/32	8.29	13.74
98	96	Treas. 10pcCv 1990	96¾	–	10.32	13.67
93	87	Exch 2½pc 1990	92⅞ xd	–	2.69	10.20
101	98	Treas 11¾pc 1991	98	–	11.95	13.34
93¼	89¾	Funding 5¾pc '87–91‡‡	92	–	6.18	11.40
90¾	86	Treas. 3pc 1991	90½	–	3.31	10.04
100	95½	Treas 10pc Cv '91 ‡‡	96	–	10.39	12.50
101	96	Exch. 11pc 1991	97	–	11.28	12.49
94¼	91	Treas. 8pc 1991	92¼ xd	–	8.68	12.43
106	100	Treas 12¾pc 1992‡‡	101	–	12.59	12.03
99	95	Treas 10pc 1992	95	–	10.42	12.07
94	90	Treas. 8pc 1992 ‡‡	91	–	8.72	12.08
100¼	96	Treas 10½pc Cv 1992‡‡	97	–	10.82	11.94
85⅝	82¼	Treas. 3pc 1992	84½ xd	–	3.54	9.95
105	100¼	Exch. 12¼pc '92	100	–	12.18	11.97
109¼	103	Exch 13½pc 1992	103	–	12.99	11.80
94	90	Treas 8¼pc 1993	90	–	9.07	11.64
100	95	Treas 10pc 1993‡‡	95	–	10.44	11.51
108¼	102¼	Treas 12½pc 1993‡‡	102¾	–	12.16	11.53
88	84	Funding 6pc 1993‡‡	86	–	6.92	10.27
113¼	107	Treas 13¾pc 1993‡‡	107¼ xd	–	12.81	11.40
94½	89¼	Treas. 8½pc 1994	90	–	9.41	11.43
117	110	Treas 14½pc 1994‡‡	110	–	13.08	11.22
113	107	Exch 13½pc 1994	107	–	12.58	11.34
100⅝	95	Treas. 10pc Ln. 1994‡‡	95¼ xd	–	10.45	11.23
110¼	104	Exch. 12½pc 1994	104	–	12.00	11.32
96	91⅛	Treas 9pc 1994‡‡	91	–	9.79	11.14
		Five to Fifteen Years				
108	102	Treas 12pc 1995	102	–	11.68	11.26
79⅝	72	Exch 3pc Gas 90–95	76½	–	3.91	3.36
101	95¼	Exch. 10¼pc 1995	96	–	10.64	11.13
113	107¼	Treas 12¾pc 1995‡‡	107	–	11.87	11.01
119	112	Treas. 14pc '96	112	–	12.50	11.22
97⅝	91	Treas. 9pc 1992–96‡‡	91	–	9.83	10.88
126	118	Treas 15¼pc 1996‡‡	118	–	12.82	11.06
117	110	Exch 13¼pc 1996‡‡	110	–	12.03	11.02
101	94	Conversion 10pc 1996	95	–	10.45	10.89
118½	110¼	Treas 13¼pc 1997‡‡	110	–	11.94	10.97
104	97⅛	Exch 10½pc 1997	98	–	10.70	10.87
95	88¾	Treas 8¾pc 1997‡‡	89	–	9.71	10.65
128⅝	120	Exch 15pc 1997	120	–	12.47	11.08
100	93	Exch. 9¾pc 1998	94	–	10.31	10.76
84¾	78⅛	Treas 6¾pc 1995–98‡‡	80	–	8.44	10.36
134	125	Treas. 15½pc '98‡‡	125	–	12.33	10.89
113	105¼	Exch. 12pc 1998	106½	–	11.27	10.85
100¼	93	Treas 9½pc 1999‡‡	94	–	10.08	10.47
115¾	107½	Exch. 12¼pc 1999	108	–	11.31	10.81
105¼	97¾	Treas. 10½pc 1999	98⅝	–	10.64	10.72
104	96½	Conversion 10¼pc 1999	97¼ xd	–	10.54	10.70
94	86¾	Treas. 8½pc Ln 2000‡‡	87	–	9.66	10.42
97	90	Conversion 9pc 2000‡‡	91	–	9.88	10.43
122	113	Treas. 13pc 2000	113	–½	11.45	10.82
103¼	95¼	Treas 10pc 2001	96	–½	10.38	10.54
124	115½	Treas. 14pc '98–01	115 xd	–	12.05	11.02
102	94	Conversion 9¾pc 2001	94	–½	10.23	10.50
113	105½	Exch. 12pc '99–02	106	–	11.29	10.88
104	96	Conversion 10pc 2002	97¼	–	10.33	10.46
102	94	Treas 9¾pc 2002	95⅝	–	10.24	10.43
97	89	Exch. 9pc 2002	90½	–	9.96	10.36
126	117	Treas. 13¾pc 2000–03	117	–	11.66	10.87
105¼	97⅛	Treas 10pc 2003	97¾	–	10.23	10.30
113	104	Treas. 11½pc 2001–04	105	–	10.93	10.69
106	97⅝	Treas. 10pc 2004	98	–	10.20	10.26
59⅞	55	Funding 3½pc '99–04	55	–½	6.26	8.96
102	94¼	Conversion 9½pc 2004	94	–	10.03	10.19
		Over Fifteen Years				
103	94½	Conversion 9½pc 2005	95	–	10.01	10.15

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
111¼	102	Exch. 10½pc 2005	102⅞	–	10.22	10.14
125	115	Treas. 12½pc 2003–05	115 xd	–	10.80	10.34
90⅝	82⅞	Treas. 8pc 2002–06‡‡	83¼	–	9.67	10.09
118	109	Treas. 11¾pc 2003–07	109	–	10.70	10.35
96	87	Treas 8½pc 2007 ‡‡	88	–	9.65	9.94
134⅝	123⅝	Treas. 13½pc '04–08	123⅞	–	10.90	10.28
101	92	Treas. 9pc 2008 ‡‡	92	......	9.72	9.87
93	92	Treas. 9pc 2008 B	92	–	9.72	9.87
92	84	Treas 8pc 2009	84	–	9.49	9.81
102	93	Conv 9pc Ln 2011 ‡‡	93	–	9.68	9.78
68⅝	62	Treas. 5½pc 2008–12‡‡	62	–	8.83	9.59
89⅞	81	Treas. 7¾pc 2012–15‡‡	81½	–	9.51	9.73
132	120	Exch. 12pc '13–'17	120¼ xd	–⅞	9.98	9.80
		Undated				
45⅝	40	Consols 4pc	40	–	9.82	–
40⅝	35	War Loan 3½pc‡‡	35	–	9.74	–
70	60	Conv. 3½pc '61 Aft	61	–	5.67	–
41	31	Treas. 3pc '66 Aft	32	–	9.28	–
30¼	25	Consols 2½pc	25½	–	9.80	–
29½	25¼	Treas. 2½pc	25¼	–¼	9.90	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or –	Yield (1)	(2)
112¼	103	Tr. 2pc '92‡‡(97.8)	111½	–⅛	2.83	3.87
105	94	Do. 2 '94 (102.9)	104	–	2.80	3.33
155	139½	Do. 2pc '96(67.9)	154	–	2.97	3.33
130	118	Do 2½pc '01(78.3)	129	–¼	3.41	3.65
127	115⅝	Do. 2½pc '03(78.8)	126⅛	–	3.50	3.70
131	117	Do. 2pc '06(69.5)	129¼	–¼	3.53	3.70
123	110¼	Do. 2½pc '09(78.8)	120	–	3.54	3.69
128	114	Do. 2½pc '11(74.6)	125⅝	–	3.53	3.68
106¾	95¼	Do. 2½pc '13(89.2)	104	–	3.52	3.66
115¼	101¼	Do. 2½pc '16(81.6)	112	–	3.48	3.61
112	100⅞	Do. 2½pc '20(83.0)	110½	+	3.43	3.55
95	84	Do. 2½pc '24‡‡(97.7)	93⅛	–	3.40	3.50

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1989: 112.3 and for October 1989: 117.5.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108	99½	African Dv Bk 11¼Ln 2010	99	–	11.10	11.09
104	95	Asian Dev Bk 10¼pcLn2009	95	–	10.62	10.67
130	118	Australia 13½pc 2010	118 xd	–	11.27	11.04
113	102	Do. 11¾pcLn2015	102	–	11.01	10.98
110	99	Euro Inv Bk 11pc Ln 2002	100	–	10.89	10.85
104	95	Do. 10¼pc2004	95	–	10.74	10.84
119	107	Int-Am Dev Bk 12½pc 2003	109	–	11.37	11.03
99¼	90	Do. 9¼pcLn 2015	98	–	10.64	10.71
97½	91½	Mlysia 10¾pcLn 2009	92	......	11.56	11.66
120	114	Utd. Mexican States 16½pc 2008	114	......	14.47	14.20

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	99½	Birmingham 13½pc 1989	99½ xd	......	13.57	11.20
111½	101½	Do. 11½pc 2012	101½ xd	......	11.33	11.30
91	85½	GLC 6¾pc 1990–92	87½ xd	......	7.80	13.70
124½	116	Leeds 13½pc 2006	117½	......	11.49	11.06
33	30	Liverpool 3½pc Irred	30 xd	......	11.67	–
95½	92	LCC 6¾pc '88–90	94½	......	7.14	12.80
30	26	Do. 3pc '20 Aft	28 xd	......	10.71	–
107½	101½	Manchester 11½pc 2007	101½ xd	......	11.33	11.30

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988–92	87½	–¼	8.29	12.40
206	206	S Rhod 2½pc Non-Asstd	206	......	–	–
84½	84½	Do. 4½pc 87–92 Asstd	84½	......	5.33	9.33

LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Building Societies				
100	98	N'wide Anglia 12¾pc 4.12.89	99⅞	......	12.33	15.10
100	99	Do. 12½pc 2.1.90	99	......	12.86	15.20
100½	98¾	Do. 12¾pc 29.1.90	99	......	12.65	15.23
100	98	Do. 12¾pc 26.2.90	99	......	12.75	15.21
100	98	Do. 12¾pc 19.3.90	99	......	12.98	15.14
100	98	Do. 13¼pc 23.4.90	99¼ xd	......	13.49	15.10
100	98	Do. 13pc 14.5.90	99	......	13.13	15.04
100	98¼	Do. 13½pc 4/6/90	99	......	13.76	14.98
100	99¼	Do. 14¼pc 2.7.90	99	......	14.37	14.90
100¼	98	Do. 13¾pc 23.7.90	99⅛	......	13.74	14.82
100	98	Do. 13½pc 13.8.90	99	......	13.57	14.71
100	98	Do. 13½pc Bds 3.9.90	99	......	13.63	14.61
107½	98½	Do. 3¾pcIL Ln 2021	107¼ xd	......	4.15	4.20
107½	99¼	Do. 4.25pcIL '24	106	......		
		Public Board and Ind.				
47	43	Met. Wtr. 3pc 'B'	46 xd	......	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass	40	......	3.50	f8.75
45	40	Do. 6pc 28 Stb. Ass	40 xd	......	3	f7.50
45	40	Do 4pc Mixed Ass	40 xd	......	2	f5.00
80	65	Hung. '24 Ass	88	......	2.75	f3.57
139	127	Hydro Quebec 15pc 2011	127⅝	–	15.00	11.42
128	115	Iceland 14½pc Ln 2016	115 xd	–	14.50	12.39
97¼	90¼	Ireland 9¾pc '91–96	90¼ xd	......	9.75	11.85

AMERICANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
43⅞	26⅛	Abbott Laboratories‡	41 xd	+	$1.40	–	2.1
579p	361p	♦Allegheny & W 1c	444p	+8	30c	–	4.3
18⅞	12	Amax $1	15½ xd	–	80c	–	3.3
11⅛	6	Ambase Corp $1	8¼ xd	......	20c	–	1.5
15	695p	Amdahl 5c	706p xd	–8	h10c	–	0.9
37⅞	25½	Amer. Cyanamid $5	33¼	+	$1.35	–	2.6
25	14	Amer. Express 60c	21 xd	+	84c	–	2.4
28¼	15¼	American T. & T. $1	27½	+	$1.20	–	2.8
41	26	Ameritech $1	38	+	h$2.92	–	4.9
659p	524p	♦Asiamerica Equity‡	563p	–8	–	–	–
22	9⅛	BankAmerica $1.8	19 xd	+	60c	–	2.0
37¼	19⅛	Bankers N.Y. $1	29 xd	–	$2.12	–	4.6
66⅞	38	Bell Atlantic $1	65½	–	$4.40	–	4.3
35⅝	19⅞	BellSouth Corp	32½	–	$2.52	–	4.9
15	9¼	♦Bethlehem Steel $8	10½ xd	–	40c	–	2.4
12	868p	♦Bio-Rad Labs. A	10¼	......	–	–	–
20¼	15¼	Bowater Inc	17	–	$1.12	–	4.2
12⅞	8	Brunswick 75c	8½ xd	–	44c	–	3.3
44⅝	28	CPC Intnl. 25c	44⅝	+1⅛	$1.80	–	2.6
863p	333p	California Engy	738p	+24	–	–	–
36	17¼	Campbell Soup 15c	32½ xd	+	92c	–	1.8
28⅞	15	Chase Manhattan $12½	22 xd	–	$2.36	–	6.5
26⅛	17	Chem. Banking Corpn	20⅞	+	$2.72	–	8.3
17½	12	Chrysler $6¼	12½ xd	–	$1.20	–	6.0
22	14	Citicorp $1	19 xd	+	$1.62	–	5.3
41⅞	25⅛	Colgate-Palmolive $1	39 xd	+	s$1.48	–	2.4
17¼	10¼	Cont'l Bank Corp $4	14¼	+	80c	–	3.6
410p	218p	♦Corporate Data Scnce	310p	–	–	–	–
27½	21	Dana Corp. $1	21⅛ xd	+	$1.60	–	4.7
12	801p	Data General	881p	+9	–	–	–
38⅞	27	Dun & Bradstreet $1	27	–5	$2.00	–	4.7
43¼	30½	Eaton Corpn. 50c	34¼	–	h$2.00	–	3.7
11⅞	8¼	Echlin Inc	8⅞	+	70c	–	5.0
21⅞	16⅞	FPL Group 1c	21¼ xd	–	$2.28	–	6.6
23	13¼	Fluor Corp 62½pc	19	+	16c	–	0.5
35⅞	27	Ford Motor $1	28¼ xd	+	$3.00	–	6.7
37⅜	24¼	Gen. Elect. 63c	36⅛	+	$1.88	–	3.3
579p	365p	♦General Host Corp $1	365p	–8	30c	–	5.2
39⅛	18¼	Gillette $1	29	–	96c	–	2.1
987p	481p	♦1st American Bank Bk $1	484p	–8	20c	–	2.6
23⅞	16	Greyhound $1½	19¼	......	$1.32	–	4.2

Continued on next page

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1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
15⅝	847p	Hasbro Inc 50c	13¾	−⅛	16c	−	0.7
57½	32⅞	Honeywell $1½	51[illegible]xd	+[illegible]	$2.75	−	3.4
22⅝	15¼	Houston Inds $	22	.....	$2.96	−	8.5
76[illegible]	60¾	IBM Corpn $1¼	61⅛xd	−[illegible]	$4.84	−	5.0
60p	45p	Image Storage/R Sys 1c	50p	.....			−
32⅛	18¼	Ingersoll-Rand $2	28[illegible]	+[illegible]	$1.20	−	2.6
33¼	22½	Lockheed Crpn. $1	26[illegible]	+[illegible]	$1.80	−	4.3
22[illegible]	13[illegible]	Lone Star Inds $1	13[illegible]	−[illegible]	$1.90	−	8.8
27[illegible]	17½	Louisiana Land 15c	25[illegible]	+[illegible]	$1.00	−	2.5
20[illegible]	11[illegible]	Lowe's 50c	18½	−[illegible]	48c	−	1.6
28[illegible]	15[illegible]	Manuf. Hanover $1	24[illegible]	+[illegible]	$3.28	−	8.4
[illegible]	13[illegible]	Merrill Lynch $1	16[illegible]	−[illegible]	$1.00	−	3.9
2477p	1910p	Molex Inc	2186p	−33	3.2c	−	−
30[illegible]	18[illegible]	Morgan (JP) $2½	27[illegible]	+[illegible]	$1.66	−	3.8
28[illegible]	24[illegible]	Morris (Philip)	26[illegible]	+[illegible]	$1.13	−	2.7
54[illegible]	36[illegible]	NYNEX $1	51	+¼	$4.36	−	5.4
[illegible]	16p	N'wide Legal Serv $	20p	+4			−
[illegible]	13¼	PHH Corp. $	23	−[illegible]	$1.16	−	3.2
[illegible]	174p	Pacific Agr $	174p				−
[illegible]	[illegible]	Pacificorp $3⅛	28xd	+[illegible]	$2.76	−	6.0
30[illegible]	16[illegible]	Pacific Telesis 10c	28	.....	$1.88	−	4.2
[illegible]	15[illegible]	Pall Corp 25c	21	+[illegible]	48c	−	1.4
55½	39[illegible]	Pennzoil 83 1/3c	50[illegible]	−[illegible]	$3.00	−	3.8
42[illegible]	28[illegible]	Quaker Oats $5	39[illegible]	+[illegible]	$1.40	−	2.2
32[illegible]	23[illegible]	Rep NY Corpn $5	30[illegible]	−[illegible]	$1.28	−	2.7
16[illegible]	11[illegible]	Rockwell Intl $1	14[illegible]	−[illegible]	78c	−	3.4
[illegible]	22	Sears Roebuck 75c	24[illegible]	+[illegible]	$2.00	−	5.3
[illegible]	21½	Southwestern Bell $1	35[illegible]	−[illegible]	$2.60	−	4.7
[illegible]	[illegible]	Sun Co. Inc. $1	24[illegible]	−[illegible]	$1.80	−	4.7
31[illegible]	22[illegible]	TRW Inc 62½c	29¼	−[illegible]	$1.73	−	3.7
[illegible]	14[illegible]	TW Services $5	21[illegible]	.....			−
30[illegible]	26[illegible]	Tenneco $5	37[illegible]	−[illegible]	$3.04	−	5.1
35[illegible]	28	Texaco $6.25	33[illegible]	+[illegible]	$3.00	−	5.7
[illegible]	13[illegible]	Texas Instr. $1	19[illegible]	+[illegible]	72c	−	2.4
117[illegible]	56[illegible]	Time Inc $1	84[illegible]	−[illegible]	$1.00	−	0.7
19[illegible]	13[illegible]	TRINOVA Corp.	14[illegible]	−[illegible]	68c	−	2.9
[illegible]	16	USX $1	21[illegible]	+[illegible]	$1.40	−	4.0
[illegible]	120p	Unilab	312p	.....			−
36[illegible]	22[illegible]	Utd. Technologies	34½xd	.....	$1.60	−	2.9

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LEISURE

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
170	126	Airtours 10p	185	+1	†6.25	3.2	5.4	7.0
315	195	Anglia TV	248	+5	†7.75	3.3	4.2	9.6
•168	109	Avesco 1p	120		p1.13	8.9	1.3	10.4
34	9	BCE Hldgs 5p	26	+1½	0.4	–	2.1	–
395	275	Barr & W.A.T. 'A'	275	–10	†15.0	1.7	7.3	11.1
540	225	Boosey & Hawkes	435	+5	†10.4	2.5	3.2	16.4
60	35	Border T.V.	53		2.0	3.4	5.0	7.7
423	317	Brent Walker 10p	357		†11.0	3.6	4.1	7.2
117	79	Do 6pc Cv Cm Rd Pf	95	–1	6.0	–	8.4	–
•103	80	Buckingham Int'l 10p	93	+1	–	–	–	–
344	163	Campari Int. 20p	171	+1	8.5	3.9	6.6	4.4
1135	504	Capital Radio 10p	1083	–2	†10.0	3.6	1.3	27.6
958	662	Carlton Commcns	845	+27	†7.5	5.2	1.2	22.9
125	95	Do. 6.5p Prf	108xd	+1	6.5	–	8.0	–
465	268	Castle Comms. 5p	433		8.5	♦	2.6	♦
823	579	Central TV	695	+21	†25.5	2.5	4.9	10.6
248	123	Chrysalis	148	+4	‡3.43	0.1	3.3	–
138½	50½	Cityvision 5p	128		†h0.5	10.1	0.5	25.3
38	12	Classic Th'trds Nl0.20	12		–	–	–	–
392	258	Compass Group 5p	345		†7.2	2.7	2.8	17.8
106	69½	European Leisure	84	+1	Q08%	♦	2.4	♦
110	56	Ex Lands 10p	60	–1	0.5	–	1.1	–
•217	65	Expedier Leis. 20p	91		–	–	–	30.7
675	437	Fairline Boats 10p	540	+10	†13.5	5.6	–	7.2
248	149	First Leisure	213		†2.93	3.3	1.8	21.6
755	610	GWR Group 20p	618		†3.0	11.3	0.7	15.9
73	45	Grampian TVA 10p	69		3.0	2.8	5.8	7.9
31	20	Greenwich Comm.	25	–1	–	–	–	–
136	85	HTV Ord	122	+5	5.0	♦	5.5	♦
137	68	Hi-Tec Sports	81	–2	4.5	2.6	7.4	6.8
27½	3	Int'l Media Comm. 5p	8		–	–	–	–
255	160	Invicta Sound 10p	193	–2	12.7	♦	1.9	♦
68	41½	Kunick 10p	56½	+½	†1.4	2.4	3.3	15.9
138	97	Do 7p Rd. Pf	113		7.0	–	8.3	–
237	157	LWT 5p	212	+19	†5.7	3.4	3.6	10.6
111	29	Leisure Inv 10p	31	–3	‡a1.75	1.4	‡	(9.5)
538	343	Marine Dev. 50p	419		7.5	1.9	2.4	28.0
200	150	Mecca Leisure 10p	153½	–1½	†a4.56	1.8	4.0	18.8
110	83	Do. 7.25p Cv Rd Pf 20p	89	–1	7.25	–	10.9	–
162	101	Medminster 10p	140		3.9	♦	3.8	♦

For Tullow Oil see Oils & Gas

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
39	20	Sleepy Kids 5p	25		–	–	–	–
•17½	5½	Stakis Hldgs. 5p	7½		–	–	–	13.0
•3¼	1¼	Swanyard Studios 1p	1½		–	–	–	7.2
11	2½	Systems Connection 2½p	2½		–	–	–	3.3
50	28	Tavern Leis. 20p	39		–	–	–	–
115	28	Tomorrows Leisure 20p	91		–	–	–	34.6
113	60	UPL Group 10p	65		2.75	1.9	5.6	12.3
150	129	Unit Group	129		5.0	3.3	5.2	7.3
100	66	Video Magic Leis. 1p	79		W2.0	0.7	3.4	63.3
14	4½	Vista Ents 5p	5		–	–	–	–
40	21	Vizcaya Hldgs 5p	29		–	–	–	–
46½	23	Whitegate Leisure 20p	38	–½	–	–	–	–
32½	10	Do. Wrrnts	25		–	–	–	–
10¼	5	Wilton Group 1p	5¼	–¼	–	–	–	–

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	87	......
Craig & Rose £1 γ	838xd	......
Finlay Pkg. 5p γ	66	......
Holt (Jos) 25p γ	1340	–3

IRISH

Cap. 8½% Ln. 1991	£96¼	......
9pc Cap Ln. 1996	£97	–¼
Fin. 13% 97/02	£116	......
Arnotts	405xd	......
Carrol (P.J.) γ	143	......
Hall (R. & H.)	200	+38
Helton Hldgs γ	88	......
IRG	228	......
United Drug	138	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¾
BAT	67
BOC Grp	44
BTR	37
Barclays	48
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	120
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	30
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	28
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	58
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	36½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

FINANCIAL TIMES
Weekend November 18/November 19 1989

Ambulance pay dispute talks collapse

By Fiona Thompson, Labour Staff

TALKS aimed at ending the nine-week long ambulance pay dispute collapsed last night when angry union leaders claimed they had been brought to discussions under false pretences.

No new money had been offered, said Mr Roger Poole, the chief trade union negotiator, who described the talks as a charade.

They were proposed by Mr Duncan Nichol, NHS chief executive, on Thursday night and had been seen as the first indication that the Government was prepared to move on pay.

The breakdown means the unions will now activate their plan agreed on Thursday to escalate their industrial action from next Wednesday and refuse to handle any non-emergency work but they pledged to protect all 999 calls.

Mr Nichol said last night that if this resulted in local managers being unable to offer a proper service, the Government would mobilise troops, as has been the case in London for the past nine days.

Mr Poole said the employers refused to increase the 6.5 per cent on offer and refused to entertain the idea of introducing a pay formula to guarantee annual increases.

They merely repeated the offer made at Acas three weeks ago to bring forward this year some money from next year as part of an 18-month deal. But the effect of this would be to reduce the money available next year, he said.

"We came here today on the basis of more money," said Mr Poole. "We genuinely wanted to negotiate an agreement. We were prepared to compromise but wanted an agreement which would address the issue of 6.5 per cent and the pay formula."

He said that the British people would be at risk if the use of troops was extended beyond the capital. "Quite appalling things might happen on the streets of this country if ambulance crews are removed."

The five union leaders representing Britain's 22,500 ambulance workers had put four proposals to Mr Nichol: that the issue be put to arbitration; that Mr Kenneth Clarke, Health Secretary, put it to a committee of inquiry; that it go to the select committee on social services; or that Mr Clarke should talk to the unions immediately. All the proposals were rejected.

Mr Nichol said the Government was ready to bring forward £5m from next year's money which would lift this year's 6.5 pay offer to 9 per cent in an 18-month deal from last April to September 1990.

In addition, about £500 each would be available for the 2,000 ambulance staff with special paramedical skills.

But he refused to guarantee that the increase this year would not result in less money next year.

"Next year, halfway through the year, we will be looking at our situation and negotiating again with the money available to us. Who can tell what will happen when we start negotiating again?" Mr Nichol said the offer was final. It was not negotiable and the unions should use the weekend to reconsider his proposals.

No more talks could take place until London crews lifted their additional work to rule restrictions imposed on top of the national overtime ban, he said. The restrictions, including a ban on using radios the way managment wishes, led to London crews being suspended and the Government calling in the troops last week.

From next Wednesday, all non-emergency work will be banned except for that involving expectant mothers, children under 14, cancer patients and those requiring radiotherapy and renal dialysis.

Non-urgent duties represent 85 per cent of all ambulance work, and include ferrying thousands of people every day.

Bulgarian assembly endorses changes

By Judy Dempsey in Sofia

BULGARIA'S National Assembly yesterday endorsed the most radical changes in the government for many years as Mr Petar Mladenov, the new party leader, moved quickly to consolidate his power base.

At the same time, the National Assembly, long a tool of the Communist Party, abolished the notorious Article 273, under which any individual considered a critic of the regime could be convicted of political crimes against the state.

Mr Mladenov, in a move aimed at convincing the population that he was serious about radical economic reforms, swept aside ministers promoted under Mr Todor Zhivkov, the 78-year-old former party leader ousted last week.

Later, speaking on French television, Mr Mladenov said he favoured free elections.

The sacked ministers include Mr Stoyan Ovcharov, Minister for Economy and Planning, Mr Petar Danchev, a Deputy Prime Minister, and Mr Georgi Yordanov, another Deputy Prime Minister.

In their place, Mr Mladenov appointed three Deputy Prime Ministers, including Mr Georgi Pirinsky, the 41-year-old economist who will also be responsible for the country's relations with Comecon, the east-bloc trading organisation.

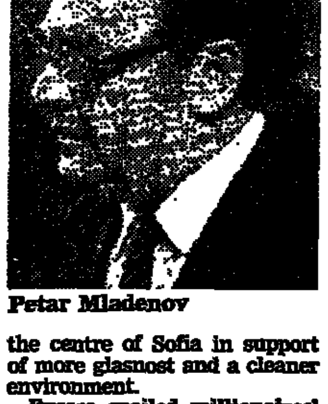
Mr Pirinsky, one of the younger generation of technocrats, said yesterday that the "authoritarian and indeed totalitarian system is now at an end. The new leadership is committed to serious economic and social changes."

This was confirmed by the promotion of Mr Stoyan Mikhailov as Deputy Prime Minister with responsibility for education. Mr Mikhailov, a former Central Committee Secretary for Ideology, was dismissed last year by Mr Zhivkov for his support for glasnost in the media. This move is likely to be welcomed by intellectuals.

As part of a strategy to halt the decline in the economy, Mr Mladenov appointed Mr Belcho Belchev as Minister of Finance. He is a close colleague of Mr Andrei Lukanov, former Minister for Foreign Economic Relations.

Mr Lukanov, elevated to full politburo status, is expected to play a more prominent role in the organisation of the economy and the party.

Later, during a demonstration organised by the party-backed National Front, more than 10,000 people gathered in the centre of Sofia in support of more glasnost and a cleaner environment.



Petar Mladenov

Excess spoiled millionaires' party, Page 3.

US seeks to reassure Soviets over reforms

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush yesterday sent a message to President Mikhail Gorbachev of the Soviet Union expressing US support for "a calm and peaceful period of change" in Eastern Europe as reforms are implemented.

The US President's cable, prepared after consultation with Western allies, is intended to set the framework for his meeting with Mr Gorbachev off Malta in two weeks.

The US objective is an understanding with the Soviet Union about a mutual hands-off approach to reform in Eastern Europe, allowing people in each country to determine the pace and nature of change.

Officials preparing for the Malta meeting say Mr Bush will seek to reassure the Soviet Union that the US does not want to take unilateral advantage of the changes and to reassure West Germany that no decisions about reunification or European borders will be taken behind its back. Mr Marlin Fitzwater, White House spokesman, said Mr Bush's message indicated "support for changes both in Eastern Europe and the Soviet Union.

"The US wants a calm and peaceful period of change in Eastern Europe as Poland, Hungary and East Germany seek to implement their reforms. The President believes these historic steps will make a positive contribution to a Europe that is whole and free," he said.

US officials are making contingency plans to counter any surprise moves from the Soviet Union – for instance on troop levels in Europe. But they believe from recent discussions with Moscow that the US and Soviet leaders are both against premature changes to Nato and the Warsaw Pact.

The White House has stressed that the Malta meeting will not involve detailed negotiations or specific agreements. A full summit is planned for next spring or early summer.

Underlining western unity, the White House said yesterday that Mr Bush had had telephone conversations with President François Mitterrand of France, Chancellor Helmut Kohl of West Germany and Prime Minister Brian Mulroney of Canada. He will meet Mrs Margaret Thatcher next Friday.

Philip Stephens writes: Mrs Margaret Thatcher yesterday added her support for the process of reform in East Germany in a letter to Mr Gorbachev.

Whitehall officials said the letter underlined Mrs Thatcher's view that she is hoping for a step-by-step approach towards democracy in Eastern Europe.

Mrs Thatcher will press at today's European Community summit for a detailed analysis of how the Community can support countries moving towards democracy.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Degussa	504.5	+	11.5
Hochtief	988	+	17
KHD	197.5	+	6.5
Linde	795	+	16
Metallge'schaft	518.5	+	6.5
Pharm Schering	755	+	12
NEW YORK ($)			
Rises			
General Elect	59⅜	+	1⅞
Hewlett Packard	44⅛	+	2¾
IBM	99	+	1⅞
Falls			
Lockhood	40⅛	–	1½
Lonestar Inds	20⅛	–	1⅞
UAL	180⅝	–	4⅛
PARIS (FFrs)			
Rises			
Cofimeg	423	+	19.9
LONDON (Pence)			
Rises			
Amersham Intl	369	+	13
BET	262	+	9
BTR	424	+	7
Barclays	527	+	8
Cadbury Schws	344	+	10
Carlton Comms	845	+	27
Clinton Cards	234	+	10
Dagenham Mtrs	88	+	5
Eurotherm	283	+	8
Granada	323	+	12
Higgs & Hill	305	+	16

New York prices at 12.30pm			
Eurotunnel	49.5	+	2.7
Skis Ross	1070	+	52.4
Sogerap	404	+	20
Falls			
Colas	791	–	27
Ingenico	157	–	21.6
TOKYO (Yen)			
Rises			
Chori	1230	+	120
Kokoku Steel	1050	+	100
Nihon Seikan	1240	+	140
Tsumura	3000	+	250
Falls			
Ichikawa Wool	1450	–	200
Tokyo Kikai Sis	1690	–	400
LWT	212	+	19
Lloyds	428	+	12
More O'Ferr	393	+	58
RHM	429	+	8
Ratners	265	+	9
Royal Bk Scot	187	+	10
Falls			
Johnson Clns	603	–	70
Johnson Matthey	363	–	9
Land Secs	512	–	11
MEPC	499	–	5
Suter	152	–	15

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	18	64	Dallas		–	–	Madeira	F	18	64	Prague	S	2	36
Algiers	S	23	73	Dublin	C	9	48	Madrid	F	14	57	Reykjavik	F	1	34
Amsterdam	S	6	43	Dubrovnik	S	12	54	Majorca	F	20	68	Rhodes	R	15	59
Athens	S	16	61	Edinburgh	S	9	48	Malaga	C	15	59	Rio de Janeiro		–	–
Bahrain	F	27	81	Faro	R	23	73	Malta	C	21	70	Rome	C	12	54
Barcelona	F	16	61	Florence	S	13	55	Manchester	S	6	43	Salzburg	S	6	43
Belfast	C	7	45	Frankfurt	S	5	41	Melbourne	C	15	59	S'Francisco †	F	10	50
Belgrade	F	3	37	Geneva	C	4	39	Mexico City		–	–	Santiago		–	–
Berlin	S	5	41	Gibraltar	C	17	63	Miami †	S	12	54	Seoul	F	12	54
Biarritz	S	19	66	Glasgow	S	9	48	Milan	C	8	46	Singapore	F	30	86
Birmingham	C	4	39	Guernsey	F	12	54	Montreal †	F	0	32	Stockholm	S	4	39
Blackpool	F	6	43	Helsinki	Dr	2	36	Moscow	Sn	-5	23	Strasbourg	S	4	39
Bombay	S	34	93	Hong Kong	F	22	72	Munich	S	3	37	Sydney	F	27	81
Bordeaux	F	15	59	Innsbruck	S	5	41	Nairobi		–	–	Tangier	C	15	59
Boulogne	F	6	43	Inverness	F	7	45	Naples	C	13	55	Tel Aviv	F	19	66
Bristol	C	7	45	Isle of Man	F	7	45	Nassau		–	–	Tenerife	F	22	72
Brussels	S	6	43	Istanbul	F	6	43	Newcastle	F	9	48	Tokyo	R	12	54
Buenos Aires		–	–	Jersey	C	11	52	New Delhi	S	26	79	Toronto †	F	-5	23
Budapest	S	4	39	Johannesburg	S	20	68	New York †	F	3	37	Tunis	S	24	75
Cairo	S	22	72	Las Palmas	Dr	22	72	Nice	C	14	57	Valencia	S	19	66
Cape Town	R	13	55	Leeds	C	7	45	Nicosia	C	20	68	Venice	F	9	48
Cardiff	C	7	45	Lisbon	F	12	54	Oporto	F	15	59	Vienna	S	2	36
Chicago †	F	-9	16	Locarno	R	7	45	Oslo	S	2	36	Warsaw	S	2	36
Cologne	S	7	45	London	C	6	43	Paris	S	7	45	Washington †	F	2	36
Copenhagen	S	7	45	Los Angeles †	F	12	54	Peking	S	2	36	Wellington	S	20	68
Corfu	S	18	64	Luxembourg	S	5	41	Perth	S	25	77	Zurich	C	2	36

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

East German reforms

Continued from Page 1

deepest crisis since East Germany was founded in 1949.

He said prices for basic necessities, until now heavily subsidised, should reflect "economic reality." The economy would be based on "performance." He noted that reforms would proceed "step by step," and pledged an overhaul of the political system, which would include new electoral, media and legal reforms.

The education system would also be democratised, and thousands of employees in administration are to move into production in coming months.

The Prime Minister, who was elected last Monday, presented a Cabinet that gave more power to the four small non-Communist parties allied with the Socialist Unity (Communist) Party. They now hold 11 of 27 Cabinet posts.

The "Volkskammer" Parliament unanimously approved the resignation of eight members of the Council of State which advises the President. Mr Willi Stoph, the former Prime Minister, and Mr Horst Sindermann, the former President of Parliament, were the most prominent politicians to resign.

The four small "block" parties gained less important Government posts, while the Communists held the key interior, defence, state security, finance, and foreign ministries.

PM hostile

Continued from Page 1

than two years.

As far as future investment is concerned, the emphasis is still heavily on the UK. Nearly 60 per cent of those polled expect to make their next big investment in Britain, just over 21 per cent in continental Europe, and only 6 per cent in the US and four per cent somewhere in Asia.

There has been some change in expectations about pay settlements. Although 35 per cent of respondents expected the next settlements in their company to be higher than in the past 12 months, the figure was 50 per cent when the same question was asked last June. Lower settlements are now expected by 23 per cent – against only six per cent in June. As before, just over 40 per cent expect settlements to continue at much the same rate.

Overwhelming support continues for full British membership of the European Monetary System, but the number of those wishing to join the exchange rate mechanism dropped from 23 per cent in June to 13 per cent in this week's poll. The percentage wanting to join in the next 12 months is 37, and in the next two years 30 per cent. Only two per cent said that Britain should never join.

Respondents were divided about the sterling/DM rate (around DM2.90 at the time of the poll). Just over 40 per cent said that the rate was about right; 37 per cent thought that sterling was overvalued and 16 per cent that it was undervalued. Thus among those polled there is not a majority for depreciation.

Expectations about inflation continued much as in the poll last June. Only 10 per cent of respondents expect it to be down to three per cent within the next two years; 30 per cent said within three years, 38 per cent said longer than that and 21 per cent said "never".

Britain's trade deficit is regarded as "very serious" by 38 per cent of those polled – against 42 per cent last time. The percentage of those regarding the deficit as "manageable" rose from 54 to 65.

The question about the Prime Minister's attitude to Europe was new. The answers were that 61 per cent thought that it was "too hostile", 36 per cent thought it was "about right" and three per cent said it was "not tough enough".

On the general question of the Government's handling of the economy, 58 per cent said that their confidence had gone down over the past year and 39 per cent that it remained about the same. Although the question was slightly differently phrased, this is not a significant change from the findings in June, when 54 per cent said that their confidence in Chancellor Lawson's handling of the economy had gone down over the previous 12 months and 45 per cent said that it was about the same.

The percentage expecting a Labour victory in the next general election has risen from 6 to 14, and a hung Parliament from 17 to 22. Just under 60 per cent expect another Conservative victory – against 73 per cent in the June poll.

ICM interviewed 500 directors of companies on November 16-17. Companies with reported sales of £15m were selected at random from the latest edition of Key British Enterprises. All interviews were conducted by telephone.

Allied bids £203m for Dunkin' Donuts

By Philip Rawstorne

ALLIED-LYONS, the UK food and drinks group, has offered $325m (£208m) for Dunkin' Donuts, the world's biggest doughnut and coffee franchise chain, and as much a part of the American Dream culture as McDonald's, the hambuger chain.

The board of Dunkin', owners of 17 per cent of the stock in the quoted company, is recommending the deal – $47.25 a share in cash – to shareholders. The offer is subject to the consent of the US Government.

Dunkin', whose 1,600 stores in the US and another 250 in Japan and Europe have gross sales of $800m, successfully resisted a takeover bid from Unicorp Canada, the Toronto conglomerate, earlier this year.

Mr Richard Martin, vice-chairman and chief executive of Allied-Lyons, said last night that the proposed acquisition would have a positive effect on earnings and would "fit perfectly with our strategy... to grow the food division."

Allied owns three North American food companies – Baskin-Robbins, leader in the franchised ice cream store market; Tetley, which makes coffee and tea, and DCA Food Industries, which produces a variety of ingredients, including doughnut mixes, for the food processing industry. It also operates a doughnut business in Spain.

UK analysts see the deal as "positive and purposive" and suggested last night that it still left Allied as a potential bidder for Whitbread's liquor interests which were put up for sale recently with an estimated price tag of about £550m.

The Dunkin' Donuts business was established in 1950 by William Rosenberg, who started selling coffee and doughnuts from a hut in Quincy, Massachusetts.

The operation has since grown into an American institution. Mr Robert Rosenberg, who succeeded his father as chairman and chief executive, has extended the business into sandwiches and soups.

Roderick Oram in New York writes: Dunkin' Donuts is considered a well-run chain, achieving a modest growth in sales per store which has eluded many others in the US fast-food business in recent years. But it is close to saturation point in the US.

THE LEX COLUMN

Ferranti lists its shortcomings

The Ferranti affair becomes more astonishing with each fresh revelation. By Ferranti's account it now seems that some £100m in cash was systematically syphoned off from International Signal while it was a London-quoted public company: and that even after it had become part of Ferranti, another £12m went missing. Since most of the money seems to have gone to now-defunct companies in Panama, recovery seems very doubtful. But it sounds as if Ferranti is out to reclaim what it can through the civil courts, perhaps starting with ISC's ex-auditors Peat Marwick.

Yesterday's disclosures are damaging in another way. Last year's true profits, excluding the phantom ISC contracts, have been written down by a further 25 per cent as a result of cost overruns on Ferranti's own contracts. The non-ISC business thus shows a fall in operating profits of 32 per cent from the year before. At the pre-tax level, after the higher interest costs resulting from Ferranti's own development programme, the fall is 76 per cent. Knock off the below-the-line costs of closures on the computer side, and Ferranti proper was in loss for the year.

The seemingly imminent sale of the computer service and maintenance business, to be followed by the Marquardt rocket company in the US, is expected to bring in the £100m needed from disposals. The next step is to obtain £150m of equity.

A dozen or so companies, it appears, are talking to Ferranti about either an equity stake or full takeover. It cannot be in shareholders' interests to settle for the former. On yesterday's evidence the present management are not merely the victims of deception. They cannot run their own business either.

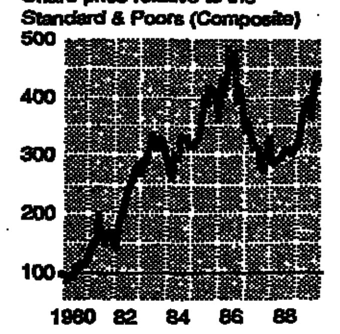
Markets

Despite Mr Major's best efforts, it has not been a good week for sterling: down from DM2.94 to DM2.89 and from 89.0 to 88.1 on the trade-weighted index. The chief reason was, of course, yesterday's lousy inflation figures. There seem to be few special factors to excuse a rise of 0.8 per cent in the month; instead, there has been a general increase across a broad range of commodities. For those who were already wondering if Mr Major's spending plans might suggest premature fiscal laxity, it does not help to see his inflation forecasts called into question within 48 hours of delivery.

FT Index rose 16.1 to 1769.3

Dunkin' Donuts

Share price relative to the Standard & Poors (Composite)



The equity market remains wonderfully sanguine, with the FT-SE managing a token 5-point rise over the week. But for equities as for sterling, the overshadowing event is next Thursday's trade figures. A reversal of last month's extraordinary surge in exports could be ugly. Even if not, the risk is that with the figures out of the way, the currency market might turn its mind to testing Mr Major's mettle.

Allied Lyons

The immediate reaction to Allied Lyons' £207m bid for Dunkin' Donuts is trepidation. One does not need to evoke Imperial Group's ruinous purchase of Howard Johnson to recall that the record of UK acquisitions in the US food industry is patchy. Nor does it help that Allied is paying an exit multiple of 24 for a business with recently flat earnings, or that it is offering $47.25 for a stock which a year ago stood at $25.50.

But the deal improves on inspection. A recurring question in UK/US deals is why the vendor is selling. In this case, Allied is coming in as a white knight to cap a hostile bid of $45. The purchase should also have a neutral effect on first year earnings.

In the latest year to October, Dunkin' Donuts had operating income of $31.6m; Allied will pay 10 per cent at most on the purchase price of $325m. There should be savings thereafter from combining Dunkin' Donuts with the rest of its US operation.

In this last respect, the deal looks positively attractive. Allied knows about US franchising through its Baskin-Robbins ice cream business, which has almost twice as many outlets as Dunkin' Donuts.

It is also a big supplier of coffee; and its DCA subsidiary – originally the Doughnut Corporation of America – claims to be the biggest supplier of doughnut mixes and ingredients in the US.

Strategically, it is no surprise that Allied is buying further into the food industry, though its targets were expected to be in Europe rather than North America. For some years, growth in its food business has come chiefly from rationalisation. Dunkin' Donuts – assuming it is secured – might perk the division up a bit. But it is too early to be sure. Grand Metropolitan knows about US retailing as well; but the jury is still out on Burger King.

Estate agents

A job with the Pru was supposed to be a job for life: not so, it seems, at its 750-branch estate agency chain. Yesterday's news of the resignation of Prudential Property Services' chief executive looks to be more than just an embarrassment for the UK's largest life insurer. It could also be an omen that, more generally, this year's savage cost-cutting at the Pru and among some of the UK's large residential agency chains may have been a double-edged sword, which could damage their business when the housing market finally turns up.

From the time banks, building societies and insurers began aggressively buying agents in 1985, commentators feared the new national chains would suffer from culture clashes and arguments over strategy. The Pru is not the first institution to have lost its estate agency chief – the Nationwide Anglia's resigned in August 1988 – and tales of low morale at some of the large chains have been rife for some time.

As the housing market's woes have deepened, 1989's additional worrying feature has been the sheer extent of branch closures, job losses and management redundancies. More than 120 branch closures at the Pru, 170 at Nationwide, big lay-offs at Hambro Countrywide: it is hard to see that any sales-oriented service industry can slash like this without cutting into the meat of the operation. Whatever the full story behind yesterday's news from the Pru, it is a fair bet that the arguments centred on that issue.

Weekend FT

SECTION II — Weekend November 18/November 19 1989

And those who stayed behind

***David Marsh** talks to the people in two East German towns, Schwarzenberg and Dresden*

IT IS no ordinary Tuesday in Schwarzenberg, a small mining and metalworking town, etched by tradition and grime, buried in the Erzgebirge forests in southern East Germany. Something close to mysticism hangs in the air. Souls, long confined, are seeking to wander abroad; some have already departed for good, leaving painful gaps. Smoke curls from a dozen Gothic industrial chimneys. The full moon, burnished a sulphurous orange, peers cautiously over fir tree tips chewed ragged by pollution.

A spluttering stream of Trabant cars wheeze their way past the decorative Christmas pyramid, ready to be unveiled at the start of Advent. The branch office of the Staatsbank – the East German central bank – is a fine building with wrought iron window rails, probably built at the turn of the century by the Deutsche or Dresdner Bank and taken over from the capitalists after the Second World War. Silhouetted against its white walls, 300 East Germans are patiently doing what comes naturally: queuing.

Only five days previously, the East German government decreed an opening of the fortified border and freed travel to the West. After lining up for their new visas at the police station, the citizens of Schwarzenberg are now waiting in the cold to claim the statutory DM 15 hard currency travel entitlement.

When they arrive on their excursion to the West, this will be augmented by DM 100 in "welcome money" handed out, at the end of another queue, from the West German authorities. The gift is expected to tide them over for 12 months. The DM15 allowance, on its own, will buy the Schwarzenbergers no more than coffee and cakes and a glossy magazine when they make it to the glittery Ku'damm in West Berlin: another world, but still Germany.

On the hilly Schwarzenberg streets, not all, however, are preparing to make a foray westwards. And most of those due to sample, for a couple of days, the bright lights and the department stores will be coming back again, perhaps more disillusioned than ever with the drabness, inefficiency, and occasional brutality of life in East Germany.

The lifting of travel restrictions, as well as other reforms promised by Egon Krenz, leader of the Socialist Unity Party (SED), has sharply diminished the fugitive exodus. It has not, however, stopped pro-democracy street protests up and down the country. The leadership in East Berlin has been reshuffled and rejuvenated, but still clings to the Communist right to rule. The government's chief worry now centres not on the citizens who are fleeing – but on the 16m who have decided to stay.

One of these is Paul Korb, a small, crinkly-faced Schwarzenberger who has played his own modest part in German history. After the German capitulation in May 1945, the area around Schwarzenberg was left – the result of a curious oversight – unoccupied by either Soviet or American troops. Korb, 85, is a former metalworker who has been a member of the Communist party in 1920. He is now the only surviving member of the council set up by Communists and anti-fascists to rule Schwarzenberg as an independent state for six short weeks.

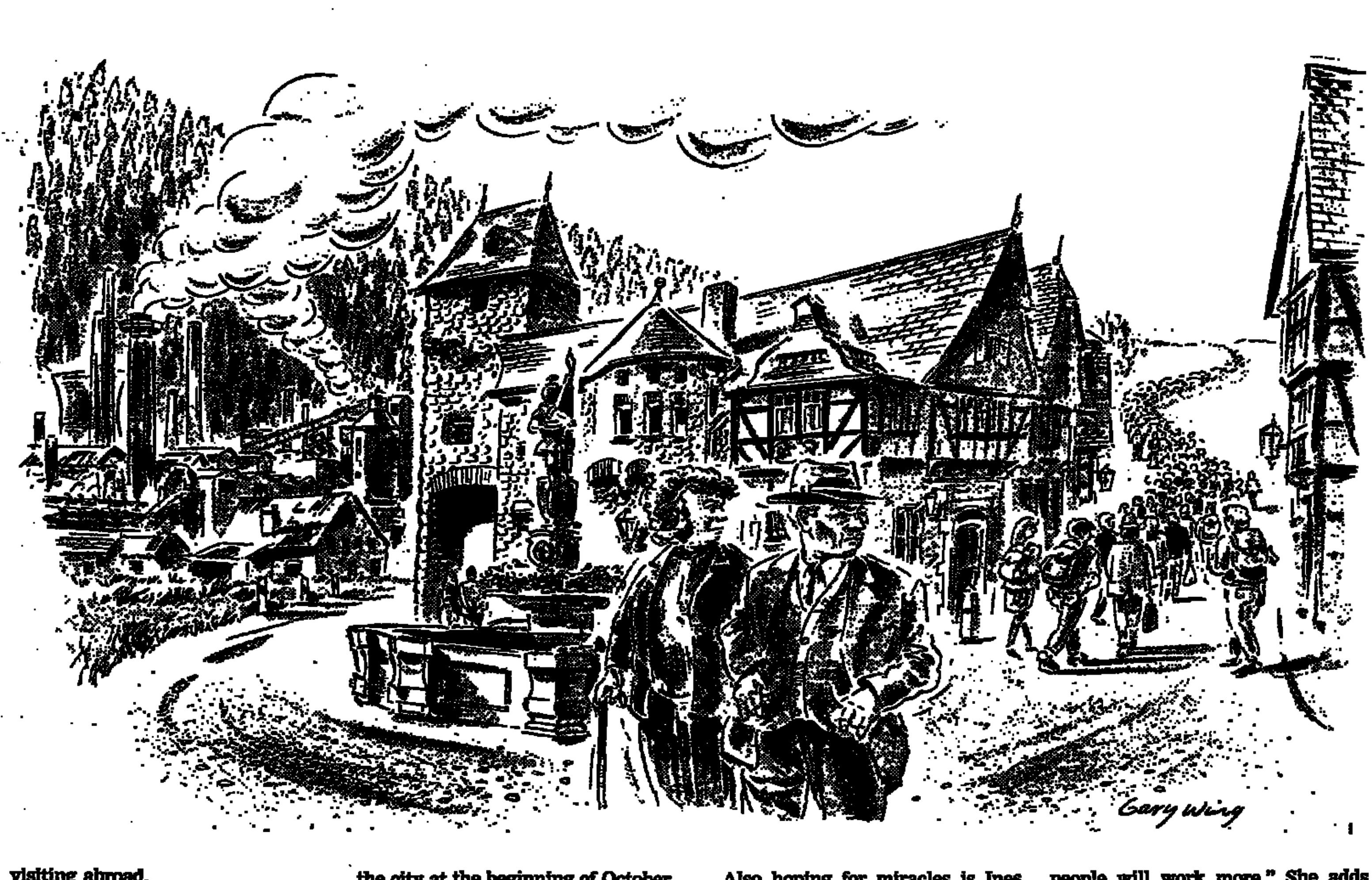
This highly provisional government was extinguished when the Russians took over the town in June 1945. Moscow soon realised the region's importance. Uranium mined from Schwarzenberg fuelled the Soviet Union's first atomic bomb. Korb's council (he was the police chief) tried to put into effect a mixture of "Socialism and democracy" – a never-fulfilled ideal tantalisingly close to the vision of the New Forum opposition movement which has sprung to prominence in recent weeks.

Sitting at a table in the well-heated living room of his warren-like house, bought by his grandfather (a carpenter) in 1863, Korb says he is "proud" of his minor role in building up post-war East Germany. One of the legacies of the provisional government is that Schwarzenberg has no street named after Lenin, he declares. He wants to draw a veil, however, over recent events. "The leadership (in East Berlin) has neglected a most fundamental rule. It has lost contact with the masses, and failed to realise the feelings built up in the population." Korb says uncompromisingly that the SED will probably go into opposition as a result of free elections, likely to be held next year.

Korb is relatively well off. With his war resistance allowance, he receives a monthly pension of 2,000 unconvertible East German Marks – roughly double an industrial worker's salary (although worth only £70 at the current exchange rate in the West). By contrast a West German manufacturing worker earns around DM 3,000 a month, or thirty times the value in the east. He has a big East German TV (which cost 6,000 Marks). He has been on holiday in the Soviet bloc. But, pointing to the DM 15 travel limit, he says he will not be going to the West. "It is no secret that we don't have much foreign currency."

At Schwarzenberg's town hall, Wilhelm Schaberich, 39, an aide to the mayor, sits on a third floor construction site. The building is being rewired (it has not been done since 1911, he says) and a deputation from New Forum is coming for talks in half an hour. At the same time as much larger demonstrations took place in Leipzig and Dresden, several thousand people were out protesting of Schwarzenberg on Monday – in spite of the new travel rules.

Schaberich has been an SED member since 1971. The mayor is a member of the Christian Democrats, up to now a docile partner of the Communists. The aide admits that the SED is going through a "crisis of confidence", and declares the need for "radical reforms" and "dialogue." He adds, with naive hope, that when this week's new government under Prime Minister Hans Modrow has done its sums, it may discover that there will be more than DM 15 to go around for people visiting abroad.



The Church's view is that man cannot live by fresh travel rules alone. Sixty miles to the north east of Schwarzenberg lies the capital of Saxony, Dresden, part-ruined, part-rebuilt, Baroque and beautiful.

Michael Müller, pastor of the Church of the Cross in the city centre, says of the travel liberalisation, "That will not be enough." Seated in his comfortable flat in the city's airy southern outskirts, Müller goes on: "The SED is trying to disguise its responsibility for the misery by arranging a Volksfest (people's festival) on the Ku'damm."

Müller, 49, who lives here with his wife and two teenage daughters, has been pastor at the church for 13 years. A calm, eloquent man, he was born near Dresden and remembers as a child watching from the countryside the flames and horror of the February 1945 bombing. Müller earns roughly 46,800 Marks (£1,600) a year gross, 36,400 Marks net, and his 60 square metre flat costs 4,000 Marks under a rent fixed by law at 1938 levels – part of the sweeping subsidy on all basic goods.

The Church of the Cross has played an important role in mediating between Communist city officials and the local population after a wave of protests – put down by considerable police violence – in the city at the beginning of October.

Four days after the border opening, on Monday last week, 100,000 people – one fifth of the population – were on the Dresden streets calling for free elections.

Among Müller's uncomfortable questions are: "Who was responsible for the brutal aggression of the police and security services in Dresden last month?" He says darkly: "Things went on which we haven't seen since the Nazi period." He also wants to know how much hard currency East Germans still pay to the Soviet Union in continued, disguised reparations for the Second World War.

Asked about German reunification, Müller says that priority must be given to "restoring the GDR to health." "Reunification would mean that West Germany would swallow the GDR. It (the Federal Republic) is a good democracy, but I haven't elected it. I want self-determination."

Müller admits that East Germans have no practice in democracy. But he terms the flowering of an opposition movement of the last month a "small miracle" and says: "My hope is that democracy will continue to grow."

Also hoping for miracles is Ines Richter, an attractive doctor in her late 20s, mother of two small boys, who works in the Dresden health service. She is a good example of the many open-minded and intelligent people who want to stay in East Germany and work for a better country.

Ines terms the travel breakthrough "sensational" and will visit West Berlin with her family in a few weekends' time. The border decision was a "clever chess move" by the SED – but it will not end pressure for genuine reforms, she says. "The people will not give up without a fight."

Although she is still on maternity leave, Ines knows from colleagues the effect of the autumn's emigration wave. She says that 100 doctors and 700 nurses – around 10 per cent of Dresden's hospital personnel – have left over the last two or three months.

Local volunteers, and nurses from the Soviet Union, have been brought in to fill the gaps. "The doctors go, but the patients stay." She adds that the imbalance has increased further by an apparent rise in sufferers from depressive illness. Ines says lack of motivation in the economy is the result of "endless lying" from the government. "Perhaps if there is more honesty, people will work more." She adds however: "I sometimes think it would be easier to start again out of nothing than to make something out of this economy. The *Schlamperei* (slovenliness) is unbelievable."

This view finds confirmation from Andreas, a young man on his way back from the Monday evening Dresden demo. Seated at a dingy yellow-clothed table in a beer cellar – because of staff shortages, no-one comes to serve any beer – he complains of "bureaucracy" and "corruption" in the state-run factory where he helps maintain Dresden trams and buses. Although workers put in 8¾ hours a day, effective working time is just four hours, Andreas says.

The placard he has just been carrying through the streets with his parents reads: "An end to the SED's claim on leadership." The West, however, is no substitute. His mother, Waltraud, a florist, who says she cannot get away to Berlin because she is so busy making up flowers for graveyards, opines: "There are far more urgent problems than reunification." His father, Bernd, also a factory worker, says: "We are proud of our *Heimat* (home) here in Dresden."

How can the West help? I put the question to Frank Tietze, a young Left-winger who helps run an SED-sponsored "alternative" youth club in a rundown street northern Dresden. Showing the opposition movement's lamentable lack of facilities, the club has agreed to make a room available for occasional meetings of the so-called Group of 20, a loose body of New Forum sympathisers, church leaders and other reformists hastily formed last month. Otherwise, the Dresden opposition appears to be without organisation.

Tietze says: "We don't just want to copy the West." But he has realised, he admits, that capitalism can create the wealth which, if properly managed, can run a social state as well.

His companion, Hannelore Protze, with sleek black hair, went with him to West Berlin at the weekend, staying with a friend in Kreuzberg, a place of Left-wing lifestyles and dishevelled buildings similar to many in Dresden. Hannelore is not one to be hoodwinked by Ku'damm commercialism. But she says of her West Berlin trip, "I found the whole culture of retailing attractive. Shop assistants in the West are there to look after the customers; here they are there to keep them under surveillance."

For anyone seeking the answer to the future of East German Communism, what better place to visit than Karl Marx Stadt? Chemnitz, as the town was formerly called, has been a textile centre for 400 years. Last century it became one of the pivots of Saxony's manufacturing revolution. The town was renamed after the father of Communism in May 1953, just a month before Russian tanks put down a short-lived East German workers' uprising.

The outskirts of Chemnitz seem to have changed little since the end of the war: blackened appartment blocks, rubble on the streets, closed shops, old people tottering along in the sunshine. In the centre rise modern Socialist blocks. In the city bookstore, a young girl shop assistant has pinned up a quotation from Marx appealing for "courage" and "dignity" from the proletariat. The aim is to remind her compatriots, she tells me, not to be blinded by the new-found possibilities of journeying westwards.

From the city's state-owned meat factory (close by is the charmingly-named Hotel am Schlachthof – Abbatoir Hotel) stem messages of another sort. The Kombinat director, Hartlieb Haas-Zens, in a neat green suit with a party lapel button, tells me with apparent conviction, but only limited plausibility, that, from now on a different emphasis will be placed on Socialism.

A door-keeper, a white-coated man with fingers like sausages, is more forthcoming. On the way, we pass a works' sign praising East Germany's 40th anniversary. The man explodes. "The criminals. They have fooled us for 40 years! They must all go! And we want to be called Chemnitz again!".

More may change in East Germany than simply names of towns and streets. As the border opens, desperate weaknesses in the state's structure, previously hidden from the mass of the people, are coming into full view. The East Germans are full of spirit. They will need it. Four and a half decades after the war, they are having to sweep away the rubble of Communism and start all over again.

The Long View

Ugly wreckage laid bare by the tide

BARRY RILEY

As tougher times approach, the deficiencies of self-regulation in financial markets are likely to be exposed more clearly to view

THESE ARE tough times in the financial markets for the self-regulators, those upstanding people who believe that mankind's original sins of greed and selfishness can be suppressed enough to allow practitioners to police themselves in the public interest.

The tail-end of a long period of market buoyancy is always a most critical time for regulators. Concealed distortions are exposed and complacency brings its just reward. In the good times, there is money enough available to cover up most shortcomings. A bad deal can be bought in and fed out quietly again later at a profit. But when the financial tide finally rolls out, it can expose some ugly wreckage.

We are still seeing the damage done two years ago by the stock market crash. Earlier this month, 11 respectable City practitioners were arrested and charged with criminal conspiracy over the Blue Arrow scandal. On Tuesday this week the Securities Association, the self-regulatory body which authorises stock market practitioners, chimed in by accusing UBS Phillips & Drew, one of the firms involved, of failure to tighten up its compliance procedures sufficiently since the Blue Arrow affair. But this only prompted outsiders to point out that, until last January, one of the arrested executives was chairman of the association's own conduct of business rules committee.

Similar problems are being experienced in America, especially in Chicago where the FBI has arrested 46 traders on the Mercantile Exchange on fraud charges. Senator Thomas Eagleton, having stormed off the CME board (where he sat as a non-practitioner), has accused the futures markets of failing to regulate themselves in the interests of the public. They are, according to Eagleton, run by insiders for the benefit of insiders (which, I suppose, is self-regulation of a kind).

Back home, it is now the turn of the accountants to come under the spotlight. This week, proof emerged of something that has gone almost unchallenged for some time: companies have too much scope for dressing-up their accounts. Cray Electronics, a minor growth star of the bull market of the 1980s, was the vehicle for this revelation. The first version of its 1988-89 pre-tax profits was £17m. Now, a second accounting firm has decided that £5.4m would be a more sensible figure.

This emphasises how vague can be the concept of the "true and fair view," the subjective approach which the self-regulating chartered accountants have found convenient to adopt. I am not suggesting that the true and fair view is inferior to the kind of statutory profits basis which is used, for instance, by the Germans. But, like all forms of self-regulatory formulae, it calls for great strength of character and judgment if it is to be applied successfully.

Moreover, as the experience of implementing the Financial Services Act (FSA) has shown, a self-regulatory system is very demanding of practitioner input. Boards, committees and tribunals need to be manned, and innumerable discussion papers must be studied and responded to.

The reward for all this effort comes in the form of flexibility which allows markets to breathe and evolve. If, on the other hand, the rules are written by state bureaucrats, they will be inflexible and will not be changed until some ministry can be persuaded to dust off its files.

A few big scandals will, however, galvanise governments into action. Investment collapses early in the 1980s led to the FSA and the accountants, for instance, will now fear that the Government could take a serious interest in tightening auditing practices (the Dearing Report on precisely this subject has lain on the shelf for a year because nobody has been keen to stump up the money to implement its recommendations).

The Securities and Investments Board, which is responsible for investor protection under the FSA, is at present grappling with these problems of fine-tuning regulation. It is finalising a new rulebook which will formalise self-regulation in the guise of general principles of behaviour, supplementing the conventional detailed rules.

Such general principles are viewed with deep suspicion by lawyers, who make a lot of money in the City by advising on whether a proposal is legal and are none too keen on deciding, say, if an action would display integrity or amount to fair dealing. They would need to be much more cautious than in deciding just how close a client could sail to the wind over, for example, a clause of company law.

The introduction of general principles will certainly bring the challenges for self-regulation out into the open. Whether it will provide a solution is another matter. I suspect that the regulators will have to go further.

Successful self-regulation requires a stable environment and some kind of limitation of commercial pressures. Stability, because fair dealing becomes more dependable when two parties know that they will do business again tomorrow, and next month, and next year. With the financial markets in a constant state of turmoil, too many of these relationships have been lost. As for the commercial aspects, it has been quite unrealistic to expect that individuals could be given incentives through enormous bonuses without undermining their business ethics.

In the end, self-regulation begins at home. In the traditional City firm, it was the senior partner's task to lay down the limits of what was acceptable. When he failed, the firm quickly lost its reputation and was likely to go out of business eventually. With modern business structures, it is just as important to have a strong man at the centre. Compliance officers are not enough.

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Are you thinking of selling your small business or buying *someone else's? If so,* you should look at the state of the market before you make your final decision, advises **Roy Hodson. Page X**

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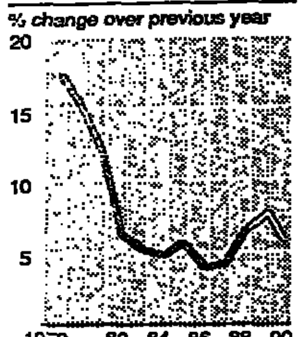
UK Inflation

% change over previous year



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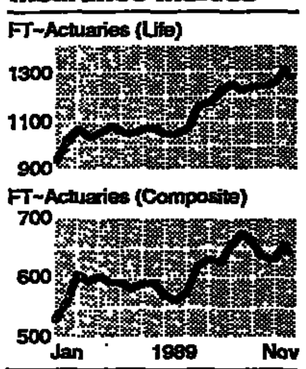
FT-Actuaries (Life) / FT-Actuaries (Composite)



Chancellor's gloomy news on inflation

John Major, the new Chancellor of the Exchequer, had gloomy news on *inflation this week* when he made his Autumn Statement. He said it would "remain high for some months," which implies that interest rates will stay high for *a while yet*.

It was confirmed yesterday that the Retail Price Index in October jumped by 0.8 to 7.3 per cent. The Chancellor expects retail price inflation to be 7.5 per cent in the fourth quarter of 1989 and for it to stay above the 7 per cent mark in the first half of next year.

Inflation is forecast to fall to 5.75 per cent by the final quarter of 1990 — earlier this year, the Government predicted that inflation would be down to 4.5 per cent in the second quarter of 1990. *Sara Webb*

Insurance shares in the spotlight

There was some lively action in the insurance company shares sector on the London stock market this week with attention focused on the Pearl, UK life assurance group. Besieged by Australian Mutual Provident (AMP), Pearl *released its second defence document, including an* independent appraisal valuation of 765p a share, a forecast that post-tax profits would reach £130m and pledging a 67 *per cent rise in the dividend to 25p.*

But within two days AMP was back, increasing its bid from 605p to 690p a share and the overall value of the offer from £1.1bn to £1.24bn. AMP's brokers, Panmure Gordon, raided the market, picking up 34.5m Pearl shares to take its stake up to 38 per cent. Specialists say a white knight could well be Pearl's last hope.

The composite insurance third quarter reporting season got under way with upsets in the shares of all three companies reporting. Hurricane Hugo cost Commercial Union £20m, *Royal Insurance £40m and General Accident £63m and all* three groups were affected by claims for subsidence damage caused by the long hot summer in the UK this year. Analysts quickly reworked their *profits* forecasts for the sector. *Stephen Thompson*

Britannia plan gets go-ahead

The official go-ahead for Britannia, the UK's ninth largest building society, to acquire FS Assurance and launch its life *company subsidiary, Britannia Life, on January 1 was given* this week by the Edinburgh Court of Sessions.

The demutualisation of FS Assurance is the first of its kind in Britain and is a pioneering step for building societies. The major difference between Britannia Life, which will have assets of more than £6.5 bn, and in-house building society life companies which are starting from scratch is that Britannia Life can offer a complete range of insurance, pension, investment and mortgage products. It will be able to sell traditional with-profit as well as unit linked policies, *whereas a new life company invariably offers only* unit-linked policies. *Eric Short*

LONDON

Time to focus on fine details

APPROPRIATELY for the son of a trapeze artist, John *Major's first* autumn economic statement left equities on a tightrope.

The market's course over the week would make a funambulist feel at home. The FT-SE 100 rose only 4.7 to 2221.4 and is likely to remain just as flat for the rest of the year. But any slip will be severely punished by gravity, and it is not clear how strong or how close to the ground the *safety net is.*

The new Chancellor's sober and bearish outlook for 1990 had the advantage at least of reducing the political cross-winds of the past month. In general, the forecasts were in line were those of most independent analysts; what was new, and welcome, was the more modest and realistic tone.

The week's economic statistics provided a corroborative drumbeat. Retail sales were 0.7 per cent lower in October than in September, evidence that high interest rates were depressing consumer spending. Other elements of the equation included a 9 per cent rise in average earnings in the year to September, and inflation of 7.3 per cent in year to October.

With little fanfare, the pound lost ground all round, nearly 1 point to 88.1 on the trade-weighted index, five pfennigs to DM2.8878, a cent to $1.568.

But from now until the Budget in March, coincident with the peak full-year company results season, the economic picture will be most clearly in *focus in small details rather* than the broad canvas. Certainly, corporate figures and trading statements gave concrete expression this week to the Chancellor's words.

British Steel, for example, was one of five former state industries reporting. The companies' stock market performance since privatisation is examined in detail elsewhere on this page, but Steel — the *newest debutante* — offered a paradigm of the outlook for many UK manufacturers. Its first-half profits leapt 57 per cent to £428m, well above forecasts, but Sir Robert Scholey said second-half and 1990-91 profits would be hit by price weakness and soft demand.

British Telecom reported a slowing of volume growth in the first half, although both domestic and international calls continued to rise at double-digit rates. Higher interest rates, another recurring theme, had been expected to lead to flat second-quarter profits, but Telecom pulled £46m in pensions savings out of its hat, helping to lift the interim total by 6 per cent to £1.31bn.

The surprise at British Gas, *where the summer months* never mean much, was the 16 per cent advance in the interim dividend. At British Airways, which lifted interim pre-tax profits by nearly 17 per cent to £259m, concord rather than Concorde was on public display. Lord King and Sir Colin Marshall continued to turn *aside the suggestions of a management* rift which continue to emerge from within the airline although the former spoke words close to "consultants are consulted, executives execute" when questioned about the role of Sir Colin's adviser, Michael Levin.

Poor results from Amersham *International — interim* pre-tax profits fell by 43 per cent to £6.15m — made the radioactive pharmaceuticals group the leading candidate to follow Jaguar from state ownership to privatisation to takeover.

Elsewhere in the medical sector, the prognosis was better at Wellcome, where the AIDS drug *Retrovir* helped full-year profits to rise 28 per cent to nearly £283m.

BOC Group, the industrial gases giant, reported full-year profits of £331m, a 10 per cent rise, but said the advance would have been stronger except for a slowing of demand in its July-September quarter.

Burton Group, the High Street retailer which includes Debenhams, increased full-year *pre-tax* profits by 5.7 per cent to £223.8m, a praiseworthy outcome considering the woes of the sector. But the credibility of performance-related salary schemes took a knock when Burton's non-executive directors changed the rules to allow special discretionary payments to Sir Ralph Halpern and fel*low executives.*

The retail malaise restricted growth at Thorn EMI. But music and lighting made up for losses at the Rumbelows electrical goods chain and Thorn's interim profits ended 11.6 per cent higher at £108m. Leading composite insurers Commercial Union, General Accident and Royal *Insurance* all reported lower nine-month results than in 1988. Hurricane Hugo was largely, but not entirely, to blame.

Also in the insurance patch, Australian Mutual Provident raised its cash bid for Pearl Group from 605p to 690p per share, or £1.24bn in total, and more than doubled its direct holding to 38 per cent with market purchases. Pearl stuck *to an actuarial valuation* which said the shares were worth 765p, if future profits were extrapolated from past performance. Its days of independence appeared numbered.

Scottish & Newcastle Breweries' shares bounced with each statement from Elders IXL. A sale of the 23 per cent *stake is imminent,* says the finance director. Shares up 14p. No it's not, says John Elliott. Shares down 17p.

The curious war of nerves continued between Meggitt and its nominal prey, United Scientific Holdings. Neither side appeared especially keen to win. Meggitt speaks for more than 80 per cent of USH's shares, but has refused to collect its prize until it was given *more financial information* by the target company's directors. USH finally obliged, after a fashion. With the bid's 60th day approaching on Monday, Meggitt must soon bite the bullet or take a walk.

Hoylake stirred from hibernation to outline to nine state insurance commissioners in the US the shape of a revived bid for BAT Industries. Nothing *is binding,* but Sir James Goldsmith and colleagues pointed to an offer worth 850p *per share. Unlike their first* all-paper offer, to which they attributed the same value, 80 per cent of the new one would be in cash. Shareholders should not hold their breath on this one; the US hearings on which a new bid depends have not started yet and are showing an alarming tendency to *slip towards Christmas.*

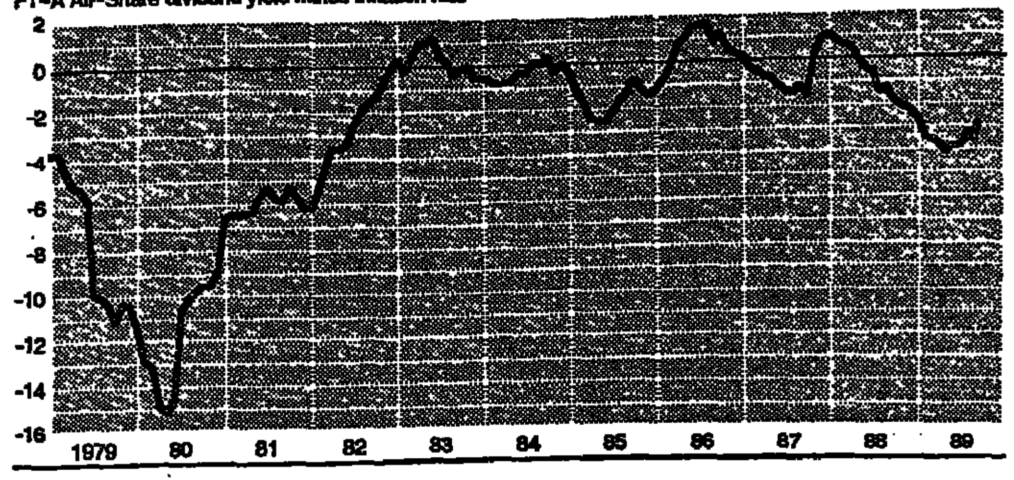
It was a vintage week for restated accounts. Those which emerged *on* Friday from Ferranti International Signal had been awaited for several months and were as bad as feared. The defence contractor said its pre-tax profits for the year to March 31 had been only £13.1m instead of £55.8m. It also restated the previous year's profits from £68m to *£54.5m. On the balance sheet,* omitting the final dividend enabled Ferranti to limit the net loss of reserves attributable to International Signal's fraudulent contracts to £176.4m.

Cray Electronics also unexpectedly omitted its previously announced final dividend after disclosing that a review *of* accounting policies had led to profits for 1988-89 being restated from £17m to £5.4m. Profits for the previous two years were also reduced, although not as dramatically. Former top executives at UEI, led by Sir Peter Michael, are buying into Cray on handsome terms. Cray's former chief executive stays on the payroll at £225,000 per annum until mid-1991.

Clay Harris

Real dividend yield

FT-A All-Share dividend yield minus inflation rate



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989 High	1989 Low	
FT-SE 100 Index	2221.4	+4.7	2426.0	1782.8	Cautious after Autumn Statement.
British Gas	203½	+6½	213½	156½	Co. to increase dividend payout ratio.
British Telecom	269½	+14½	298	242½	Pensions holiday boosts profits.
Burmah Oil	662	-23	705	480	SHV says 9.14% stake is "Friendly".
Carlton Comms.	845	+55	958	662	Paramount buys stake in subsidiary
Commercial Union	447	-20	471	335½	Disappointing 9 month results
GEC	219½	-10½	281	187	Poss. defence spending reductions.
Kwik-Fit	127	-26	174	100	Fading hopes of Continental bid.
LWT	212	+15	237	157	Shareholder vote on capital changes.
Lec Refrigeration	345	+25	381	240	Candy increases stake to 15%.
More O'Ferrall	393	+60	416	278	Independent News. takes stake.
National Telecom	66	-25	143	66	Warning of possible £1m interim loss.
Pearl Group	690	+49	693	390	AMP increases bid to 690p a share.
STC	274	+12½	394	255	Brokers buy recommendations.
Sotheby's	1750	-325	2200	544	Fears of downturn in arts market.

WALL STREET

Western gloom, Eastern promise

FOR A few hours yesterday morning, General Electric's announcement that it would *buy back $10bn* worth of its shares, equivalent to roughly a quarter of its outstanding equity, seemed finally to have lifted the sullen mood on Wall Street.

The news from GE came after a string of depressing corporate statements from some of the most fashionable compa*nies on Wall Street,* which seemed to confirm just how dangerously over-extended and faddish the market had become. On Monday, Merck pointed out that no business could sustain annual profit growth of 25 per cent for ever, and lost 5 per cent of its market value in half an hour. Para*mount Communications* took a big charge because of disappointments in its publishing business. Dun & Bradstreet, a business information company which had turned into one of Wall Street's darlings because of its supposedly impregnable growth record, fell 15 per cent in two days after suggesting that *next year's earnings might be 11 per cent down.*

Meanwhile, the destruction of the junk bond market and the unravelling *of* the leveraged buyout business continued apace, with the first filing of a bankruptcy petition against a company in the Kohlberg Kravis Robert stable, SCI Television.

After all this bad news, GE's confident announcement, which seemed virtually to *guarantee steady growth in* earnings per share over the next few years, was obviously a relief. But could it spark the long-awaited resumption of the bull market, led this time, by solid industrial stocks?

On the technical side, there seemed to be some promise. Even before GE's announce*ment the market had spent the* week rebuilding its foundations in steady but impressive fashion. Its highs and lows each day were registering slightly above those of a day earlier. The floor at 2600 on the Dow Jones Industrial Average was holding, despite attempts by the bears to break it down. *Investors seemed to be moving towards the kind of despairing* unanimity that could begin to justify buying on contrarian grounds. *In other words, the* technical trend seemed to be one of gradual improvement — at least in the short term.

The worry which seemed to stop the rally yesterday morning was the lack of hard economic or political news to justify investment in US equities at current prices. The economic news continued to be at best neutral. Disastrously weak figures for car sales *suggested that* the Federal Reserve Board was not yet easing monetary policy quickly enough to sustain consumer spending. The prospects now seem to be for further big cutbacks in US car production, with major spillover effects throughout manufacturing industry and ultimately per*haps on employment, personal incomes and consumption.*

Monday	2626.43	+ 0.82
Tuesday	2610.25	− 16.18
Wednesday	2632.58	+ 22.33
Thursday	2635.66	+ 3.08

Even the smaller than expected trade deficit of $7.9bn *announced on Thursday was a* mixed blessing, since the reduction of imports was concentrated mainly in capital goods and industrial supplies, pointing to a further slowdown in manufacturing activity. Meanwhile, the small advance in exports was wholly attributable to erratic deliveries of 747 *jumbo jets, a product which* will disappear from the next few months' trade figures because of the strike at Boeing.

Indeed, the market's brief jubilation about the trade figures seemed to be consciously discouraged by government officials in Washington, presumably because of their con*cerns about another rally in* the dollar. Robert Mosbacher, the Commerce Secretary, described the underlying improvement as only "moderate." David Mulford, the Treasury Under Secretary for economic affairs, went further, warning of slow progress on exports and of a deterioration *in next year's deficit.*

There has been plenty of good news on the political front, but none of this has been *encouraging for US, as opposed* to European, investors.

In particular, there are rumblings of anxiety on Wall Street about the redirection of the world capital flows which have been paying for the reconstruction of the US economy and buoying up all US financial markets in the past *decade. There are concerns* that even the Japanese may be distracted by the opportunities opening up in the Soviet Union and Eastern Europe. The long-term capital outflows from West Germany and the Netherlands are almost certain to be diverted to the east. But such considerations are little more than speculation. Regardless of the prospects for perestroika and German unification, the indifferent performance *of* the US economy and the grim financial news coming out on Wall Street give European investors ample reason to resist the lure of the west.

Anatole Kaletsky

JUNIOR MARKETS

To merge or not to merge

IT IS not just investors who are feeling the pinch where *smaller companies* are concerned. The strains inflicted on the City were highlighted *this* week when ANZ McCaughan withdrew from the UK equity market, blaming the unpopularity of second-tier stocks.

Its departure has a particular significance since ANZ McCaughan (or Capel-Cure Myers, as it used to be known) used to be one of the powerhouses of the Unlisted Securities Market. For years it was the most prolific new issue *house, although it* had problems maintaining its position when a large part of its team left to set up Beeson Gregory.

Meanwhile, the debate about the proposed merger of the third market and the USM rumbles on. The question for the more mature USM companies is whether they want to join a *club that will accept* a third market company as a member.

Inevitably, attention is focusing on start-up companies as the youngest and least proven members of the third market. These businesses prompt unease among those who witnessed a succession of flops among start-ups in the early days of the USM. Will the clutch of start-ups now on the third *market fare better?*

Perhaps the most volatile of these are the high technology stocks, which boast high risks, high rewards and potentially glamorous products.

Haemocell, the medical research company launched a year ago at 85p per share, has seen its share price soar to 330p a share, *since when it has* drifted back to 225p. Further interest may arise since Hae*mocell says it is on the point* of launching a cell filtration filter, which allows blood to be re-infused during surgery.

Anther medical start-up which has seen its share price wax and wane is Medirace, which is working on a treatment for Aids and cancer. After joining the market at £1 a share a wave of publicity about its research pushed the shares up to 251p, from where they have fallen to 133p.

Medirace also got in the news earlier this year when it took a 25 per cent stake in ChemEx International, which is engaged in environmental analysis and consulting services. Launched in 1987, it raised £1.8m at 80p a share to build a laboratory in Cam*bridge. But after raising* another £1m from shareholders, it failed to get certification for a major US programme, which meant a change of direction and continuing losses. Its shares are now trading at 26p.

Not all third market *start*-ups are highly speculative. Whitegate Leisure, the disco and bowling group which is capitalised at £52.3m, making *it one of the largest companies* in the third market, has both strong asset backing and experienced management. Another start-up with experienced management is Automobiles of Distinction, a trader of classic cars.

But perhaps the best-known start-ups are two children's cartoon companies, *Sleepy* Kids and Poddington. Poddington's cartoon series is now being screened by the BBC. It has recently sold the rights to the TV series to New Zealand, Iceland, Bulgaria, and Portugal, and has just signed a contract for eight story-books. Its shares now stand at 73p, compared with the launch price at 20p, although they, too, have fallen in recent months.

Vanessa Houlder

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	5.00	5.10	4.08	monthly	1	-	0-7
High interest cheque	7.00	7.20	5.76	monthly	1	500-4,999	0
High interest cheque	9.00	9.40	7.52	monthly	1	5,000-9,999	0
High interest cheque	9.20	9.60	7.68	monthly	1	10,000-49,999	0
High interest cheque	9.50	9.90	7.92	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.50	6.61	5.29	half-yearly	1	1-250,000	0
High interest access	8.50	8.50	6.80	yearly	1	500	0
High interest access	9.00	9.00	7.20	yearly	1	2,000	0
High interest access	9.50	9.50	7.60	yearly	1	5,000	0
High interest access	9.75	9.75	7.80	yearly	1	10,000	0
90-day	9.75	9.99	7.99	half yearly	1	500-9,999	90
90-day	10.25	10.51	8.40	half yearly	1	10,000-24,999	90
90-day	10.75	11.04	8.83	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	11.75	8.81	7.05	yearly	2	5-100,000	1 mth
Income bonds	11.50	9.09	7.28	monthly	2	2,000-100,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue‡	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.76	11.31	9.05	monthly	1	2,500	0
Provincial Bank	11.05	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	12.40	10.29	9.02	half yearly	4	-	0
8pc Treasury 1992	12.07	9.95	8.68	half yearly	4	-	0
10.25pc Exchequer 1995	11.11	8.49	6.92	half yearly	4	-	0
5pc Treasury 1990	11.92	11.13	10.66	half yearly	4	-	0
3pc Treasury 1992	10.02	9.19	8.69	half yearly	4	-	0
Index-linked 2pc1992§§	9.42	8.91	8.60	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day; Immediate access for balances over £5,000.‡ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Privatised — and pleasing

WITH ONLY days to go before the pricing of the water flotation, the pride of the Government's privatisation issues were on display this week — and a very good show they put on too. It was the sort of performance that might persuade the more cynical investors that long-term investment in privatisation shares, as opposed to short-term punts in underpriced new issues, may not be such a bad bet after all.

British Airway's Lord King, still one of Mrs Thatcher's favourite businessmen, opened *the show with a 16.5 per cent* rise in BA's first half profits and a 12 per cent dividend increase.

"I'm delighted to say that the world's favourite airline has never flown higher," said Lord King, adding that no other airline in the world had yet reported higher second quarter profits. Given the airline industry's generally abysmal profitability, this is not as great a feat as it sounds.

The next day, British Gas, which has been one of the most unloved shares in the City, surprised everyone by suddenly taking notice of its critics. They have long argued that instead of British Gas spending a large part of its surplus cash flow on questionable overseas acquisitions, it should give more money back to its shareholders. On Thursday, it increased its dividend by 16.4 per cent and said that it intended to increase its level of payout over the next few years. Its shares jumped by more than 3 per cent and County NatWest WoodMac commented that the shares — standing on a 50 per cent yield premium and *half asset value — should* be bought.

By contrast, British Tele*com's 6 per cent rise in first* half profits and 9.4 per cent dividend increase looked unspectacular. However, BT's actuaries have been doing their sums again and instead of having an underfunded pension scheme, BT has been overfunding its long-term pension liabilities on a very large scale. The result is a long-term pension holiday which means that it can keep an extra £200m plus a year for many years to come.

This has the effect of more than doubling BT's earnings growth rate this year to perhaps 12 per cent. Given that BT only paid out £619m in dividends last year, there is clearly considerable scope for paying out bigger dividends. The market's enthusiastic response to BT's discovery was sufficient to enable it to leapfrog BP and become Britain's biggest company in terms of stock market capitalisation of £16.1bn.

British Steel, the newest of the Government's privatisation stocks, was the last to report and even it did not disappoint. Its first half earnings per share were up by a third and Sir Robert Scholey, the chairman, says that his company, which increased its pre-tax profits by 42 per cent last year, will do even better in the current year. Concern about the severity of next year's downturn is the only reason why the shares have performed so poorly, but even so analysts still believe that British Steel will earn more than it *did last year.* Given that the shares are selling on 5½ times 1990/91 earnings and yielding a shade under 8 per cent, the market could be pleasantly surprised if Sir Robert's confidence proves justified.

Admittedly, Amersham International, the first company to be privatised by the Conservative Government in 1982, blotted its copybook again this week by announcing a 43 per cent fall in its half year profits. But with a market capitalisation of less than £200m it is such a tiddler these days and looks increasingly likely to be taken over, anyway.

Like Britoil and Jaguar before it, Amersham's disap*pointing performance* will be quickly forgotten if a trade buyer comes along and pays a silly price. Indeed, the five-fold increase in the Jaguar price since its flotation five years ago shows that many of the Government's privatisation issues are worth far more dead than alive.

Unfortunately *for most* investors, even this Government would not permit the really big privatisation stocks to be taken over, although the steady build-up of ADT's stake in a monopoly like BAA (which reports next week) makes one wonder whether its chairman, Michael Ashcroft, may know something else.

However, dig behind the figures of the big privatisation issues which have been reporting this week and there is still no strong evidence why these companies would be a more solid long-term investment than a Shell, Marks & Spencer or RTZ. Aside from the *obvious* political risks of a change of government, the pressure to diversify overseas has led to some expensive acquisitions and, perhaps with the exception of British Steel and Gas, none of them have really attacked their top-heavy cost structures. The message for potential investors in water is that the short-term gains will probably outweigh the longer-term potential.

William Hall

MAJOR PRIVATISATIONS

	Proceeds (£bn)	Date	Issue (Pence)	Current (Pence)	Yield %	P/E
BP	7.0	Oct 87	330	297	6.6	9.9
British Gas	5.4	Dec 86	135	201	6.3	9.8
British Telecom	3.9	Nov 84	130	267	5.4	9.9
British Steel	2.5	Dec 88	125	127	7.9	6.6
Rolls Royce	1.4	May 87	170	167	5.2	10.6
BAA	1.3	Jul 87	245	347	3.5	14.1
Cable & Wireless	0.9	Dec 85	293	501	2.1	25.9
British Airways	0.9	Feb 87	125	200	5.4	7.3

Sources: Price Waterhouse, Datastream. Prices at Nov 17 1989

FINANCE & THE FAMILY

Barry Riley looks at the future in the shrinking gilts market

A little less likely to fade

IT LOOKS as though the amazing shrinking gilt-edged market will be fading away a little less rapidly than had seemed likely following this week's autumn financial statement from John Major, the new Chancellor.

The projection for public sector debt repayment in the current financial year has been trimmed from £13.6bn to £12.6bn, and there are plans for some healthy growth in public spending in the early 1990s as the Government prepares to buy some votes in the next General Election. For gilt-edged investors, of course, that should read *unhealthy*.

A modest retreat was staged by gilts in the wake of Wednesday's developments, although the movements have been small. The good news (from the somewhat warped viewpoint of sterling bond investors) consisted of the much gloomier official view of the real economy next year, with growth of gross domestic product forecast to decelerate to only 1¼ per cent. That is very close to the recession that fixed interest investors would like to see, after the period of overheating that has driven short-term interest rates to very high levels.

This was more than offset, however, by the Treasury's pessimism on inflation. The official forecasters have proved much too complacent about inflation for more than a year now, and they have now acknowledged that there will need to be a prolonged battle to get price rises back under control. Inflation will still be close to 6 per cent in a year's time on the official view.

Given that City forecasters have been writing in a favourable impact on the Retail Price Index next year from falling mortgage rates, the Treasury's figure was worrying. Was John Major simply trying to set a target which he could easily beat? Or was there an implication that interest rates will stay high for longer than has been generally expected?

With stagflation looming for 1990 it might have been expected that index-linked gilts would benefit, but even in this sector prices have drifted lower since the autumn statement. So there has been a general rise in real interest rates, and on the face of it this is a little puzzling, because in a recession the demand for money tends to decline and real interest rates might be expected to fall.

However, interpreting the short-term movements of bond markets can be an unrewarding exercise, as was shown in US Government bonds this week when September's much better trade figures were greeted by a decline in bond prices. Another recent external factor for gilts has been the rise in German bond yields, because the German economy is still booming.

The particular problem of the gilt-edged market here in the UK is that long-term yields of some 9¾ per cent continue to be so far below short-term rates. Long-dated gilts are therefore unattractive to most investment institutions, and the price is largely determined by the level at which the Government is buying its bonds back again.

The market is constantly on the watch for signs that public sector debt repayment might end, with a return to the historically normal situation in which there is a public sector borrowing requirement. In that case long yields might rise to 11 per cent or more. But there was no real sign from this week's forecasts that any great change is in the offing.

Another relevant factor, however, could be the behaviour of companies. Recently British companies have been borrowing heavily from banks,

John Major

at very high short-term rates, but they may soon decide that this debt should be refinanced more economically. One method might be through the issue of corporate bonds at 11 or 12 per cent, and if there is a big volume of such financing in 1990 there could be upward pressure on long gilt yields.

So short and medium-dated gilts could offer a more reliable way of profiting from any decline in short-term interest rates next year.

Sara Webb on a friendly society's decision day

Time, gentlemen please

NEXT THURSDAY, the 43,000 members of Time Assurance Society, an Oldham-based Friendly Society, will have to decide on their future – in particular whether they will become absorbed by Templeton, Galbraith & Hansberger, the Bahamas-based fund management group.

In order for Templeton to receive the go-ahead to take over Time, more than 75 per cent of the votes cast by members at a special general meeting must be in favour of the deal. Then Time will be converted by incorporation to a proprietary life assurance company called Templeton Life Assurance Limited.

Templeton, which has about $11bn under management worldwide, would appear to do rather well out of the deal. It wants to expand in the UK life assurance business, which would be a costly exercise if it started from scratch. As Sir John Templeton, chairman of Templeton International, outlines in the offer document: "We decided this could best be accomplished by seeking a merger with an organisation that already had good management expertise and a reputation for service."

Leaving aside the matter of whether Time fits this description, Templeton is not paying any money for Time: it acquires the staff, computer systems and £180m in funds to manage for free. Furthermore, it will receive a fee (deducted from members' funds) for managing the funds.

As Colin McLean, managing director of Templeton's unit trust arm puts it, "I'm not saying we're altruistic . . . I see it as accelerating our route into life assurance".

Members of Time Assurance, the sixth largest Friendly Society, have had rather a raw deal in recent years. In 1982, Time Assurance embarked on an unsuccessful expansion plan increasing its branch network and salesforce. Last October it retreated, cutting back its salesforce from 75 to 15, trimming the branch network, and admitting defeat.

Members suffered as money which would have increased their benefits was transferred from the available surplus each year and spent on the ill-fated expansion plan instead.

Furthermore, 1987 and 1988 were not good years on the investment front for Time, which had about 70 per cent of its total funds in fixed interest securities and only 30 per cent in shares. Time's retirement annuity fund suffered a reduction in the bonus for 1988 because of low return, the transfer of surplus towards expenses, and the fact that mortality projections were lower than initially calculated.

Templeton plans to inject £3m into Time initially

Since July 1 of this year, Templeton has managed Time's funds: David McMahon, Time's treasurer, says they have "slightly outperformed the market" since then.

The backbone of the offer is that Templeton will take on the cost risks. At the moment, the charges and running costs are deducted from the benefit fund. If Templeton takes over, two things happen.

First, charges jump by about 25 per cent initially and will be taken from the benefit fund – Templeton will charge Time's members about £1.3m for the management of the funds but has guaranteed that charges will not rise above a certain level.

Secondly, the running costs (which Templeton estimates will reach £2m in 1990) will be carried by Templeton and cover the cost of staff, computers, marketing and acquisitions. It hopes to reduce these.

Templeton says that the future costs of the expansion of the business will be borne entirely by the new company (Templeton Life Assurance) and not by Time Assurance members. It plans to inject £3m initially "to support the development of new business".

Time's management is in favour of the deal and argues that the Templeton offer caps expenditure at a level substantially below what Time thinks it would be if it was run as an independent closed fund.

However, Time members might consider the following:

1. Templeton is not going to pay them compensation for the loss of mutual status; and

2. Time's management was approached by Tunbridge Wells Equitable Friendly Society (TWEFS)in July. TWEFS offered to accept a transfer of funds and to administer them. Members of Time would become members of TWEFS and get the full benefit of any improvement from the savings. However, unlike shareholders in quoted companies, members cannot enjoy the luxury of waiting for rivals to raise their bids. Time's management rejected the TWEFS proposal saying there was no guarantee that the costs would be reduced.

Time Assurance members who want to vote should either turn up for the 10.30 am meeting on November 23 at the Belgrade Hotel, Manchester Street, Oldham or send a proxy vote to Time's auditors, Peat Marwick McLintock, 7 Tib Lane, Manchester M2 6DS, to arrive by 10.30 am on November 21.

Andrew Hill finds water, water everywhere . . .

Analysing analysts

TO THE frustration of fund managers, water privatisation has sucked up the City's resources.

Institutions – normally buried by circulars offering advice on whether to buy into large privatisation stocks – have had to scour the Square Mile for impartial analysts.

At least one of the handful of independent analysts has already warned that, when the dividend yield and price of the 10 companies is revealed next Wednesday, he will go into hibernation to avoid the voracious appetite of the media for objective comment.

The latest report from an ostensibly impartial broker comes from Nigel Hawkins at Hoare Govett.

Hawkins is the first analyst to take advantage of the 608-page pathfinder prospectus which was published two weeks ago; he is also one of the only analysts to have attempted to rank the 10 water companies.

The Government is hoping to make all 10 companies look equally attractive, "handicapping" them by imposing different dividend yields and, in theory, inviting the same level of subscription for each of the 10.

Hawkins ignores the handicapping for his league table. Instead, he ranks the companies on certain weighted criteria: quality of management accounts for 40 per cent of the assessment; lack of regulatory exposure, 20 per cent; cash generation potential, 20 per cent; earnings growth potential, 15 per cent; asset backing, 5 per cent.

On that basis, Hawkins comes up with three league tables, in descending order: Thames, Anglian, Southern, Severn Trent are in division one; followed by Wessex, Welsh, Yorkshire; and finally Northumbrian, South West, North West.

Hawkins' overall analysis places less emphasis on the takeover prospects for the industry than, say, Arthur Hepher and Wilf Wilde at Citicorp Scrimgeour Vickers – another independent broker. Their last circular, Choices in Water, highlighted the significant stakes held by three large French water suppliers in the private statutory water companies, which supply water to about a quarter of the population of England and Wales, alongside the larger former water authorities.

The 10 former authorities deny that they are threatened by possible French bids. The French groups have also played down the possibility, arguing that they have enough on their plates bringing the statutory companies' operations in line with the new regulatory regime. But even if there is such a threat, Hepher and Wilde admit it is tempered by the Government's "golden share" and the 15 per cent limit on all shareholdings for first five years after flotation.

However, they also believe the logic of a merger between two UK water companies might win over opponents once the privatisation is completed successfully.

On the more pressing question of what the average yield for the 10 companies will be, Citicorp's report last month envisaged a minimum starting yield of 8½ per cent – pricing the industry at £5.27bn – settling to around 8 per cent after flotation.

Hawkins also projects a yield of about 8 per cent at flotation. On the basis of a common flotation price of 240p, he believes North West will have the highest yield and Thames, with its ambitious plans for diversification, the lowest.

■ *Full details and analysis of the 10 water companies, the mechanics of the flotation and the potential risks and benefits of investing will appear in the Financial Times next week, with special coverage in Weekend FT on November 25.*

WATER: FINAL COUNTDOWN

■ **Today and tomorrow:** Final meetings to set relative dividend yields of the 10 water companies
■ **Monday and Tuesday:** Final meeting to set common share price for the companies — likely to be about 250p
■ **Tuesday:** Banks submit competing bids for primary underwriting commission
■ **Wednesday:** 8.30 a.m. Institutions begin sub-underwriting issue
3.00 p.m. Price and yield announced
■ **November 29:** Prospectus generally available
■ **December 6:** Offer closes
■ **December 12:** Dealings begin

Stronger sterling forecast

A RISE in the value of sterling is forecast by Whittingdale, London-based gilt fund managers, in its quarterly newsletter. Patrick Whittingdale says the UK Government's money controls will keep interest rates high, the growth in money supply will diminish and sterling will strengthen – just as happened in the US earlier this year.

■ The first banking service to be provided jointly by Midland Bank and the HongkongBank group has been introduced for UK expatriates. It replaces the existing Midland expatriate service and will in future be available through HongkongBank in Brunei, United Arab Emirates, as well as from Jersey. The Hongkong and Shanghai Banking Corporation has a 15 per cent shareholding in Midland.

■ A two-year bond, paying interest at 11.8 per cent net (for the standard rate taxpayer) on deposits of over £10,000, is to be launched by Abbey National on Monday for a limited period. The interest rate is variable, but is guaranteed to remain 4.9 per cent higher than the Abbey's Saver Account net rate. There is the option of taking monthly interest at a rate of 11.21 per cent. Any withdrawals of money during the two years will incur a charge equivalent to the 90 days' interest.

Meanwhile, Girobank has put up its savings rates. Top rates on its High Interest Notice Account range from 10.25 per cent on deposits of over £500 to 11.5 per cent on deposits of over £50,000.

John Edwards

FINANCE & THE FAMILY

THE WEEK AHEAD

A predator waits and watches

AMONG shareholders overseeing the performance of their investments this week will be the predatory financier, Sir James Goldsmith. On Wednesday, it will be the turn of Ranks Hovis McDougall, the bakeries and food group in which Sir James' Sunningdale consortium holds a 29.9 per cent stake, to unveil full-year figures to end-August. Predictions range around the £170m to £175m level, up from £156.7m.

The same day, moreover, sees third quarter figures from BAT Industries, the tobacco-based conglomerate which came under bid threat last summer from Hoylake Investments, the other Goldsmith-led consortium. Most City observers expect these figures to be good — BAT, after all, has forecast around £2bn pre-tax for the full year — with predictions for the third quarter profits total ranging from £450m to £460m, against £371m.

Analysts may be particularly anxious for any update on how BAT's own restructuring plans are faring and, given other news in the sector recently, how its Eagle Star subsidiary has weathered the latest trading period.

Whitbread announces interim results on Wednesday with analysts expecting pre-tax profits of about £127m from the brewing and retailing group. The increase over last time's £110.6m will be partly a reflection of the hot summer which helped beer sales and improved performance from its various niche brands. The retailing side, which includes the Beefeater steakhouses and Pizza hut chains, may have seen slower growth as a result of slower consumer spending.

Good news from Cable and Wireless's Hong Kong subsidiary means that the parent company could show a 25 per cent increase in pre-tax profit, to approaching £250m, when it announces its interims on Wednesday.

Hong Kong Telecommunications, in which C and W has a 75 per cent stake, increased its after-tax profit for the six months to September 30 by 20 per cent. And there has been a currency gain as the earnings, which account for about two thirds of C and W's profits, were translated into sterling.

This leaves Mercury Communications, the UK telecoms subsidiary, as the crucial unknown factor. It broke into profit (£18m) in the last financial year and its progress will be scrutinised closely.

Babcock International declares on Monday its first results since this summer's demerger of FKI Babcock. Pre-tax profit forecasts range from £15m to £19m for the six months to September 30.

The heavy engineering company is dominated by its energy division and the most important contract is for flue gas desulphurisation equipment at the Drax power station. Interest will focus not only on the profit margin but also on prospects for follow-up orders as the move to clean up coal fired power stations builds up a head of steam.

Continuing the tobacco theme, **Rothmans** — currently subject to a technical bid from Richemont, the Swiss-based group controlled by the South African Rupert family — reports interims on Thursday. In the wake of some very healthy half-time figures from Dunhill, in which Rothmans holds a 55 per cent stake, analysts have been ugrading forecasts. Nomura goes for £183m.

Courtaulds should report interim profits in the £86m range, down from £98.1m at the same time last year, with a dividend of 3.3p against 2.9p last year. The fall is largely due to the sale of Courtaulds' pulp interest in South Africa. The group has spent the money on a series of investments and the City will be looking for signs that the moves, combined with the restructuring of the group, are pushing Courtaulds towards increased profitability.

The hot summer should bite into half-year profits at Calor. Although the extent of the fall is difficult to predict, interim post-tax profits could be anywhere between £5m and £6.5m against £7.8m last year; however, analysts expect the dividend to rise from 6p to 6.5p.

The chief interest in Calor concerns changes in accounting practices, to counteract the lumpy nature of profits, and merger possibilities. Calor is switching to a December year end, so full-year figures will be out in three months, including the first part of the winter and offering a further, probably small, dividend.

BAA will cap an eventful period in its two-year history as a private company when its announces its interim results on Tuesday. City forecasts focus on a tight range around £185m compared with £158m in the previous corresponding half.

An encouraging growth in passenger use of its seven UK airports, including Heathrow and Gatwick, will form the basis for the improvement, while figures from property activities will provide an insight to the potential of the diversification move.

BET, the international services group, has been tipped by some as a good defensive stock in a recession, so interest in its interim results of Monday will centre on the company's view of the second-half trading outlook. Pre-tax profits are expected to be up by about 20 per cent to £145m.

Winning contracts to clean schools and hospitals has brought BET some adverse publicity and analysts will be keen to see whether the revenue from that business provides sufficient consolation.

Interims from **Boots**, the retailer and pharmaceutical group, on Thursday, mark the end of the "old Boots" era. From now on the impact of the Ward White acquisition — made in August — will be felt and some analysts fear the Ward White do-it-yourself chains will be a drag on progress. They are expecting £150m or more, excluding property disposal profits, a creditable 20 per cent rise demonstrating the defensive qualities of the Boots retailing business. On the pharmaceutical side the severity of the setback on Manoplax is still uncertain.

Insurance brokers have all suffered badly since 1985 and analysts doubt that they are due for a spectacular bounce back. **Sedgwick Group**, the largest UK broker, is expected to show a small increase in pre-tax profits but the string of natural catastrophes in the US in 1989 may not be enough to send rates up. In the meantime Sedgwick faces problems selling the Sedgwick Centre and Aldgate House, its two main London properties.

S.G. Warburg, one of the UK's leading merchant banking groups, produces interim results on Tuesday which will benefit from the much improved conditions of the City markets during the middle of this year. Warburg has been earning large fees from the takeover business and its securities side has seen higher trading volumes on the stock exchange. Hoare Govett is predicting a near-doubling in profits from £47.8m to £80m. Mercury Asset Management, partly owned by Warburg, will be reporting on the same day.

EMAP, the publishing and communications group, is expected to show continued steady profits growth in half-year results to be announced on Monday. Analysts are looking for pre-tax profits of £13m compared with £11.2m last time and expect the usual pattern of profit split, with two-thirds coming in the second half, for the year as a whole. This reflects the timing of exhibition revenues which largely fall towards the end of the company's accounting period.

For **Powell Duffryn**, the fuel distribution and engineering group, a long-range weather forecast of a freezing winter would be the best news to accompany its interims, due on Thursday.

As the summer is a dull time for fuel distribution, the results should provide a guide to the health of other parts of the business. On the engineering side, an important question will be whether a couple of contract problems were just a hiccup or indicative of something more deep-seated. The forecast is for an 11 per cent increase in pre-tax profit to about £15m.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Armstrong Eq.‡	185*	183	176	98.45	Caparo Inds.
Coates Bros.	470*	478	477	301.55	Orkem
DRG‡	590*	587	595	897.00	Pembridge Invs.
Highland Picpnts.	200*	188	155	72.60	Cornwall Tst.
ITL Info. Tech.	45	44	25	13.97	Apricot Comp.
Jaguar	850*	831	747	1.6bn	Ford
Neill (James)‡	280*	278	202	77.76	Markoffer
Pearl Group	690*§	690	552	1.24bn	AMP
Ross Catherall	253*	247	161	95.58	Vickers
Toothill (R.W.)‡	675*	665	460	4.72	Adamas Inds.
Transrap	66	61	53	9.05	Sidlaw
Utd. Scientific	117	113	147	65.32	Meggitt
Wade Potteries	172§	155	123	17.80	Beauford

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 17/11/89.†At suspension. §§Shares and cash.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
BOC	Sept	301,500	(330,500)	49.1	(44.3)	9.5◆	(8.3)
Benson Group	May	630	(1,110)	2.74	(3.84)	0.7	(0.7)
Burton Group	Sept	223,800	(211,731)	24.7	(23.5)	6.4	(6.0)
Concentric	Sept	8,180	(6,280)	27.2	(21.4)	6.55	(5.46)
Cray Electronics	April	5,400	(17,000)	3.33	(8.18)	-	(-)
Five Oaks Inv.	June	5,810	(3,041)	9.78	(8.12)	1.0	(1.25)
Invicta Sound	Sept	981	(436)	5.02	(7.7)	-	(-)
Jessups	Aug	2,800	(2,700)	18.7	(20.4)	4.75	(4.25)
Mcleod Russel	Sept	8,740	(6,775)	14.4	(14.5)	2.75	(2.25)
Metro Radio	Sept	1,610	(1,040)	10.4	(8.2)	2.5	(-)
Midsummer Leisr.	Sept	9,820	(6,430)	15.8	(10.4)	3.0	(2.0)
Mid Kent Holdgs.	Sept	6,010	(2,940)	27.8	(-)	(-)	(-)
Nesco♥	June	284 L	(211)	-	(2.6)	-	(0.5)
New Cavendish	June	845	(368)	4.06	(1.39)	-	(-)
Northern Bank	Sept	45,700	(32,877)	-	(-)	-	(-)
Omnitech	July	48 L	(18)	-	-	-	(-)
Shires Inv.	Sept	1,760	(1,340)	10.9	(8.51)	3.75	(3.35)
Smiths Ind.	July	111,700	(97,130)	25.5	(22.5)	5.65	(5.25)
Stanhope Prop.	June	15,570	(12,580)	6.66	(10.8)	0.1	(0.1)
Tomkinsons	Sept	3,760	(4,580)	40.5	(54.7)	8.0	(7.5)
Wade Potteries	July	1,510	(2,310)	10.2	(16.2)	-	(-)
Wardle Storeys	Aug	7,250	(16,470)	19.1	(44.1)	14.0	(12.0)
Wellcome	Aug	282,800	(221,200)	19.7	(15.1)	3.75	(2.6)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
AAH Holdings	Sept	16,100	(13,089)	4.5	(4.0)
ABS	Sept	3,980	(2,560)	0.8	(0.7)
Allied Irish Banks◆	Sept	110,000	(79,000)	3.35	(2.87)
Amersham Intl.	Sept	6,150	(10,760)	3.7	(-)
Aquascutum	July	616	(709)	1.0	(1.0)
Arlen	June	302	(797)	-	(1.1)
Bank of Ireland§§	Sept	93,500	(86,200)	4.0	(3.0)
Barlows	June	89	(343)	0.82	(0.75)
Blacks Leisure	Aug	1,308	(2,029)	0.05	(0.05)
British Airways	June	259,000	(222,000)	2.8	(2.5)
British Steel	Sept	423,000	(270,000)	2.75	(-)
British Telecom	June	1.31bn	(1.24bn)	4.65	(4.25)
Capital Gearing‡	Oct	20	(4250)	-	(-)
Comac	June	9 L	(137 L)	-	(-)
Coloroll	Sept	10.01	(20,550)	3.04	(3.04)
Commercial Union§§	Sept	110,300	(152,800)	-	-
Cullen's Holdings	Aug	690 L	(1,145)	-	(-)
Davy Corporation	Sept	11,130	(8,690)	2.75	(2.5)
Dunhill	Sept	25,700	(18,759)	2.0	(1.25)
Electrocomponents	Sept	23,900	(22,900)	1.7	(1.27)
Erostin Group	Oct	3,640	(2,581)	3.0	(2.0)
Fashion & General‡	Sept	185	(206)	5.0	(8.0)
Fobel International	June	592 L	(668)	-	(-)
Future Holdings	July	184 L	(85 L)	0.5	(0.5)
General Accident§§	Sept	138,700	(214,900)	-	(-)
Great Portland	Sept	16,170	(13,120)	3.0	(2.5)
Heath CE	Sept	10,610	(9,558)	7.5	(7.5)
Impshire Thorbreds.§§	June	787 L	(405 L)	-	(-)
Just Rubber	July	531	(428)	0.94	(0.8)
Land Securities	June	80,800	(71,504)	4.75	(4.1)
London Intl. Group	Sept	16,200	(13,170)	2.7	(2.35)
Marshalls	Sept	16,640	(12,057)	1.25	(1.12)
Maxwell Commn.	Sept	85,100	(72,100)	6.5	(6.0)
Meyer International	Sept	40,500	(41,810)	4.2	(4.0)
Owen & Robinson	July	117	(568 L)	0.15	(-)
Reedpack	Oct	41,100	(33,500)	-	(-)
Regalian Properties	Sept	5,500	(17,250)	1.5	(1.5)
Royal Insurance†	Sept	125,100	(140,000)	-	(-)
Six Hundred Group	Sept	4,420	(4,420)	2.46	(2.46)
Somic	Nov	102	(90)	1.0	(1.0)
Sratton Inv.Trust‡	Sept	117	(83)	-	(-)
Thames Television	Sept	15,670	(12,319)	5.15	(4.75)
Thomas Locker Hlds.	Sept	847	(584)	0.5	(0.37)
Thorn EMI	Sept	108,000	(96,774)	8.5	(7.5)
Sketchley	Sept	5,410	(7,200)	6.5	(6.5)
Unigate	Sept	44,200	(43,800)	5.7	(5.3)
Unilever†	Sept	1,214	(1,077)	4.51	(3.89)
Unilock	Sept	1,400	(910)	-	(-)
Ultramar *	Sept	15,500	(7,100)	-	(-)
Wagon Industrial	Sept	8,340	(5,212)	5.75	(5.25)
Welpac	July	125	(545)	-	(-)
Whitbread Inv.‡	Sept	4,368	(4,020)	3.35	(3.05)
Witan Investment‡	Oct	10,530	(6,580)	1.62	(1.3)
Yorklyde	July	1,550	(1,220)	4.0	(2.75)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. ‡Net asset.†Third quarter.§§ Irish punts.◆To be paid next February.*Net Profit.♥ This years figures for 15 months.

RIGHTS ISSUES

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Surrey Group is to join USM via a placing and one-for-six rights issue of 32.36m shares.
Baris Holdings is to join USM via a placing of 2.68m shares at 142p each

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Capital Radio	Thursday	3.0	7.0	6.0
Clyde Blowers	Friday	0.83	6.32	0.83
Diploma	Monday	2.0	5.5	2.25
Ferry Pickering Group	Tuesday	1.9	3.1	2.1
Fulcrum Investment Trust	Thursday	2.56	4.4●	2.56
Moran Holdings	Friday	1.0	3.3	1.0
Morland & Company	Thursday	2.8	6.25	3.15
Radio Clyde	Wednesday	1.75	4.0	2.75
Ranks Hovis Mcdougal	Tuesday	2.65	7.43	3.81
Shani Group	Wednesday	0.01	1.6	0.01
Stratagem Group	Monday	-	3.0	-
INTERIM DIVIDENDS				
Alan Paul	Monday	-		
Amber Industrial Holdings	Tuesday	3.75	9.75	-
Anglo American Corp.‡	Friday	70	200	-
Anglovaal	Thursday‡	250.0	510.0	-
BAA	Tuesday	3.5	5.5	-
Babcock International	Monday	-	-	-
BET	Monday	3.5	8.0	-
Baxbuild Developments	Thursday	-	1.8	-
Black Arrow Group	Thursday	2.0	1.0	-
Boots	Thursday	3.5	6.5	-
Bulgin AF & Company	Wednesday	-	0.2	-
Cable & Wireless	Wednesday	2.82	5.18	-
Calor Group	Thursday	6.0	11.6	-
City Gate Estates	Thursday	3.375	7.875	-
City of London PR Group	Tuesday	0.75	1.50	-
CML Microsystems	Monday	-	1.8	-
Control Techniques	Tuesday	1.8	4.50	-
Courtaulds	Wednesday	2.9	10.1	-
Eastern Transvaal Cons. Mines	Thursday‡	150.0	285.0	-
EMAP	Monday	1.43	4.22	-
Gibbon Lyons Group	Tuesday	1.7	3.4	-
Govett American Endeavour Fnd.	Monday©	6.75	9.0	-
Grampian Television	Thursday	0.6	2.4	-
Harrisons Malaysian Plants.	Wednesday‡	9.0	5.0	-
Hartebeestfontein Gold Mining	Thursday‡	80.0	100.0	-
Hartwell	Tuesday	1.0	2.1	-
Hogg Robinson	Tuesday	2.0	2.7	-
Kewill Systems	Thursday	-	3.0	-
London & Overseas Freighters	Wednesday	-	0.6	-
Marston,Thompson & Evershed	Wednesday	0.94	2.42	-
Mercury Asset Management Grp.	Tuesday	3.5	11.5	-
Normans Group	Monday	1.05	1.15	-
Personal Assets Trust	Monday	1.0	1.25	-
Powell Duffryn	Thursday	6.0	14.5	-
Readicut International	Tuesday	0.57	2.59	-
Rexmore	Tuesday	0.7	1.55	-
Rothmans International	Thursday	3.5	8.8	-
Scantronic Holdings	Tuesday	0.55	1.6	-
Stockdale Holdings	Friday	9.0	3.0	-
Vista Entertainments	Monday	-	-	-
Volex Group	Monday	6.0	10.0	-
Vsel Consortium	Friday	9.0	8.0	-
Walker & Staff Holdings	Tuesday	-	3.0	-
Warburg (S.G.) Group	Tuesday	8.7	8.8	-
Whitbread & Company	Wednesday	3.25	9.3	-
Wilshaw	Monday	-	0.2	-
Wood (S.W.) Group	Tuesday	2.0	3.0	-
Young & Co.s Brewery	Tuesday	4.7	5.5	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.‡ South African cents.● 2nd Interim dividend.© US cents.‡ Malaysian sen gross.† Includes special payment of 0.25.

FINANCE & THE FAMILY

Richard Waters on the high price of private share dealing

When small is expensive

MOST PRIVATE private investors realise that buying and selling shares is not cheap. But they probably don't realise just how expensive it has become – particularly for dealing in small parcels of shares.

The latest situation was made clear last week in the London Stock Exchange's annual survey of the transactions that go through its market.

■ For deals worth less than £600, the average commission paid by investors is 5.73 per cent. This is only the average: for particularly small deals, the rate climbs sharply, thanks to the minimum dealing cost (frequently £20 or £25) imposed by many brokers.

■ Stockbrokers are likely to earn about £315m this year in commissions from private investors. About £45m of this will come from investors who deal in amounts of less than £2,000.

■ The £315m represents fractionally under half the total commissions stockbrokers will receive from all sources, and is very similar to the proportion contributed to stockbrokers' wallets by private individuals at the start of the 1980s. But over the past 10 years, private shareholders' proportion of stock market activity has fallen from 37 per cent to 20 per cent. That means, compared with the large institutional investors, individual investors have not seen substantial savings in their broking costs.

Such high dealing costs make a nonsense of small shareholdings. Just taking the average rate of 5.73 per cent, an investor would have to see his shares increase in value by 15 per cent just to break even. This is based on paying 5.73 per cent commission plus 1 per cent stamp duty to buy the shares, and the same to sell (the purchase cost reduces the amount of money invested, hence the need for the investment to increase by more than twice the 6.73 per cent before the investor can recoup the initial outlay).

Ironically, the growth in the number of small shareholders in the UK is itself partly responsible for pushing up minimum commissions. Stockbrokers are no longer prepared to subsidise small deals, which used to account for only a small proportion of bargains they handled, and now demand that these at least pay their way. Larger transactions fare better. Average commission rates fall to 1.94 per cent for deals worth between £600 and £2,000, and 1.5 per cent for those worth £2,001 to £10,000.

The bigger the deals, the cheaper they come. The result, for deals worth more than £50,000, is an average rate of 0.2 per cent, which is little different from the amount institutions pay.

That is good news for people with large shareholdings to trade – and the rise in the stock market this year means that there are more of them about. The average transaction for private shareholders is now worth nearly £11,000, or 20 per cent more than a year ago, and the average commission 0.61 per cent. However, that is little consolation to the band of small shareholders.

A further point worth bearing in mind when dealing: banks, which handle a quarter of all deals for private investors, generally charge a lower commission rate – 0.4 per cent, compared with the 0.74 per cent paid by people who deal direct with stockbrokers.

Dealing through other agents, like solicitors and accountants, normally costs considerably more than dealing direct – on average, 1.4 per cent. That makes dealing through a bank look particularly attractive.

John Edwards finds some useful routes for bewildered investors

Decision time for PEPs

MANY INVESTORS have shunned personal equity plans so far because they simply do not understand how they work. But decision time is approaching.

If you do not act before the end of the year, then you could lose the chance of investing up to £3,000 in an "old-style" PEP, which operates under the regulations that applied before the radical improvements announced in this year's Budget. This is in addition to the £4,800 maximum you can invest in a "new-style" PEP for the fiscal year from April 1989 to April 1990.

At the same time, the coming privatisation of water companies offers an excellent opportunity to use PEPs as a means of "sheltering" any capital gains made, and future income from high-yielding shares, from the taxman.

During the next few weeks, therefore, there is likely to be a barrage of promotional material extolling the virtues of PEPs from many companies seeking to sell their wares. So, the situation is likely to become even more confused, since there are already some 200 PEPs offered by up to 100 companies, all with their own particular restrictions and charges.

Two publications came out this week which should help cut through the maze. One is a slimmed-down version, aimed specifically at private investors, of *Best PEP Advice*, a monthly analysis of all the different schemes, which was launched recently by BESt Investment Publishing (01-936-2037). The original version, primarily for financial intermediaries, caused some controversy, especially among the management companies branded as having the highest charges.

The slimmed-down, and less expensive, version is equally brave since it includes two lists of 12 recommended discretionary PEPs and 12 self-select schemes. The self-select recommendations are based primarily on charges, but past performance (mainly on unit trust records) is also taken into account for the recommended discretionary schemes. *Best PEP Investor*, as it is called, costs £49 and subsequent updates to the recommendation lists will cost £10.

Apart from charges, another area of confusion is what investments can be bought via a PEP. Fundamentally, the government gives the tax-free concessions to encourage wider share ownership. But there are a lot of restrictions on what investments can be held: in particular, the requirement that, after April next year, all investment and unit trusts in a PEP must have at least 75 per cent of their assets in companies quoted on the UK market.

Killik, the London stockbroker which has made something of a speciality in self-select PEPs, has brought out a useful *Guide to PEP Qualifying Investments* which details what you can include in a PEP. Private investors are eligible for one free copy until December 13; after that, the cost will be £2.50. The address is: Killik & Co, 45 Cadogan Street, London SW3 2QJ (tel. 01-589 1577).

Not surprisingly, Paul Killik is a strong supporter of self-select PEPs where you make your own choice of investments. This can involve extra expense but it also gives you greater flexibility. For example, those who bought a unit-trust only PEP from a company such as M&G (now offering a share PEP, too) are confined to a maximum investment of £2,400 and are unable to take advantage of the possible tax savings on the water privatisation issue.

You can get around this by switching to a self-select plan manager and transferring your existing holding, although this might well involve extra expenses such as a withdrawal charge.

It is, of course, much easier if you have not committed yourself yet and want, perhaps, to see if it is worth "PEPing" water privatisation shares and the kind of offers that will be available. Killik, for example, is planning to allow the free transfer of water shares into a PEP.

Another London stockbroker, Shaw & Co, is also trumpeting the potential advantages of PEPs and the water issue. It has launched a Private Client PEP Club. This costs £60 to join, but the company justifies the extra expense by claiming that it enables investors to realise the full potential of PEPs.

Meanwhile, a school fees PEP is being launched by the School Fees Insurance Agency. This is a bit of a gimmick in that you simply invest in the M&G PEP scheme, which has a choice of six unit trusts. There is a special arrangement with M&G that withdrawals can be made term by term, but SFIA adds a 2 per cent administrative charge for providing this service.

A toothless ombudsman?

EMPLOYEES ARE to have an easily-accessible system through which they can have their pension grievances investigated and resolved.

That, at least, is the object behind this week's announcement that a pensions ombudsman is to be appointed – the centrepiece of several proposals from the Government designed to provide greater security for those in occupational pension schemes.

At this stage, the extent of the ombudsman's powers – which will be statutory – are not clear, and the Department of Health and Social Security (DHSS) is having urgent talks with the industry about the whole complaints structure.

It is proposed that pension schemes will have to abide by his decisions, although all parties will have the right of appeal. However, it appears that he will not be allowed to intervene in many of the most common complaints. Put another way, he could end up dealing with the equivalent of traffic offences but not murders.

The basis for this conclusion is that the proposals are based on recommendations by the Occupational Pensions Board 11 months ago. The OPB said pension schemes should continue to operate under trust law, something the government has accepted. The proposals re-affirm the OPB's own powers to over-ride a pension scheme's trust deed in certain aspects. But it is not intended that any other body will be given similar powers.

This suggests that the ombudsman will not be able to over-ride trust deeds and scheme rules. If so, his powers to resolve grievances could be limited severely and he could be reduced simply to checking that trustees have complied with their obligations.

Indeed, the DHSS is in danger of turning a good idea into a half-baked system that will confuse the public, be costly to administer, and fall well short of meeting its ambition of resolving all pension grievances of individuals.

This is highlighted by the other major proposal from the Government which concerns the complaints handling system.

The vast majority of complaints received by ombudsmen normally are dealt with by staff with expert knowledge of the problems. Such a screening system is essential to ensure that only the most complex issues reach an ombudsman's desk for his personal attention. But the Occupational Pensions Advisory Service (OPAS) provides an efficient advisory and conciliation system already.

This was acknowledged by Tony Newton, Secretary of State for Social Security, who proposed that the work of OPAS should be encouraged and its finances put on a sound basis. At the same time, though, Newton also makes clear that OPAS will remain a purely voluntary organisation, operating independently of the ombudsman scheme.

As a result, there will be two advisory and conciliation systems available to the public. Not only does this mean a duplication of effort, but it will also confuse people about the channel through which they should make their complaint.

The illogicality is compounded because if OPAS cannot resolve problems itself, it will have the power to refer them to the ombudsman.

There is, however, much the new ombudsman will be able to do, even with a limited remit.

Many deeds are worded so loosely that they are capable of various interpretations. An ombudsman would ensure that claimants were given the most favourable one. Indeed, his very existence could result in pension schemes revising their deeds and rules to ensure clarity, as well as providing an incentive for administrators to avoid slipshod decisions.

In addition, some schemes are still very lax about meeting their statutory obligations to provide information to members. At present, those seeking – and not getting – such data have no practical remedy other than going to court. The ombudsman should be able to resolve this situation easily.

Finally, the Government has put forward another idea which, although excellent in theory, could result in even more confusion for the public. It proposes that OPAS should extend its services to help members of all schemes, including personal pensions.

The concept of a single source of advice and conciliation on all non-state pension matters is excellent, but there is one practical snag.

The vast majority of personal pensions are investments offered by life companies or unit trusts and are, therefore, regulated under the Financial Services Act.

Several complaint channels for personal pensions exist already through the Securities and Investments Board (SIB) and the self-regulatory organisations. The DHSS seems to be acting as if the Act did not exist.

The problems arising from personal pensions are quite different to those for occupational pensions. The new ombudsman will have more than enough on his plate handling complaints about occupational pensions without having to duplicate the efforts of the regulators.

Eric Short

A unit trust customer code

A CODE of conduct aimed at making life easier for investors in unit trusts, has been developed by the Unit Trust Association. A pamphlet called the *Unit Trust Customer Code** has been devised by the Association's Customer Standards Committee, which includes four women eminent in the consumer lobby.

The pamphlet explains what personal investors should expect from unit trusts, sets out the member companies' obligations in dealing with investors and how you complain.

The unit trust industry nowadays is closely regulated and monitored by a variety of organisations set up under the Financial Services Act under the umbrella of the Securities and Investments Board (SIB).

As a result the Unit Trust Association is now purely a trade association, with no involvement in the actual regulatory process other than to lobby regulators and parliament. So why has it produced its own customer code?

Well, while the complex regulatory system devised by the SIB should provide complete protection for the investor, it is has also made life more difficult for investors dealing in unit trusts. They are swamped with a mass of paper before, during and after a deal.

The customer code sets out to give practical help to investors by explaining in easy-to-understand language the background to the unit trust industry and the specific obligations of its member companies and investors in doing business together.

The obligations specified for unit trust companies are listed. They include requirements to:

- Use plain English (this could apply to the regulators).
- Provide all required documentation promptly – contract notes within 24 hours and a unit certificate, where issued, within 21 days.
- Make settlement for redeemed units within five working days.
- Make clear in the literature the costs or charges involved, including any commission payable to intermediaries.

The UTA, which formerly regulated, with vigour, advertisments of its member companies prior to the Financial Services Act, sums up what investors require in unit trust advertisements in a few simple rules:

- Not to be misleading.
- To make fair comparisons;
- To give warnings that past performance is not a guarantee of future performance and not give guarantees of fund performance.
- To give clear details of cancellation rights.

The code reminds investors that they do have certain legal obligations, primarily to pay promptly for any units ordered. Otherwise the UTA cannot really do anything more than point out that it is helpful if investors keep their documents in a safe place, cast their vote when asked and above all inform managers of changes in address and of the death of the unitholder.

The final section of the code, on how to complain, would have been more useful for investors had it gone into greater detail. If you wish to make a complaint, the code simply advises you to:

- First take your complaint to the management company.
- Refer the complaint to the appropriate regulatory body if you are still unsatisfied.

Hopefully the UTA will produce a separate leaflet on complaints, supplementing the general leaflet from the SIB, that will really help investors through the current maze that represents the complaints procedures.

What happens if a member company does not conform to the code? They risk expulsion from the association, which is not the end of the world in itself. More seriously, the matter could possibly be brought to the attention of the regulators.

However, the UTA does not have the powers to award investors any compensation from the unit trust manager because the latter did not use plain English or failed to deliver the documents within the specified time.

■ *Copies of the Unit Trust Code can be obtained free of charge direct from the Unit Trust Association, 65 Kingsway, London WC2B 6TD or from the Consumers Association and Citizens Advice Bureaux.*

Eric Short

Drive for youth

ONE GOOD thing about growing older is that motor insurance companies regard you as a lower risk. And for the past decade, they have looked at ways of containing increases in premiums, chiefly by pinpointing the low-risk groups.

Motor premium rates are determined by geographical location and the make of car. However, another significant factor is the age of drivers: in general, the older they are, the lower the risk.

Initially, the 50-plus age group was identified as low risk, but then the age was brought down to 30. Now, General Accident, which insures around 1m motorists, considers that drivers are a good risk when they reach 25, and this is one of the main features in the GA 25 contract launched this week.

Normally, if a motor insurance policy provides cover for any driver, premiums have to be loaded to take account of the fact that the other drivers may be young, inexperienced and possibly foolhardy. Indeed, GA's records show that drivers under 25 are more than twice as likely to make a claim compared with others.

With GA 25, cover is available for a maximum of four named drivers, all of whom must also be at least 25. The policy has an automatic £50 excess – in other words, the motorist pays for the first £50 of any claim, or has to recover it from any other driver involved.

Many other features of GA's motor policies are incorporated, such as a free 24-hour telephone help-line, optional protected no-claim bonus, new car replacement for total loss where the car is less than 12 months old, and the option of paying by monthly instalments. But the hire car service, available under the top-range "Keep Motoring" policy until a driver's own car is back on the road, is not available on GA 25.

However, the premiums for GA 25 are significantly lower than for the all-embracing Keep Motoring. Take, for instance, a 25-year-old driver of a Vauxhall Astra SRI who lives in Croydon, south London, and has a one-year no-claims discount. Keep Motoring, with an optional £50 excess, has a premium of £820.41. The GA 25 premium is £630.31 – a reduction of 23 per cent.

A 25-year-old driver of an Austin Maestro 1.3, who lives in Plymouth and also has a one-year no-claims discount, is eligible for a reduction of 20 per cent. Keep Motoring, with an optional £50 excess, has a premium of £396.67 but the GA 25 premium is £316.67.

Motorists holding GA policies can switch to GA 25 if they meet the age condition. The new policy will be marketed mainly through motor insurance brokers.

E.S

Diary of a Private Investor

The case against suspension

MY WIFE is currently in a state of suspense. What has gone wrong? Like other investors in Dominion International, her shares in that company have been suspended since September 21.

In June 1985, my wife bought 5,000 Dominion shares, paying 99p per share. The company looked attractive, having a profitable house-building business as well as activities in financial services and oil. The company also had a number of accountants on its board of directors.

Another attraction was the company's annual prize draw for shareholders with at least 500 Dominion shares. This offered six shareholders a chance to visit the location of their choice, wherever the Dominion group had operating businesses. Dominion would meet "all reasonable costs of travel, accommodation and associated expenses for each successful shareholder, together with a spouse or friend, subject to a maximum contribution of £2,000."

This was quite appealing, as Dominion have interests in places like Hong Kong, Bermuda and the US.

In 1986, Dominion appeared to be moving deeper and deeper into financial services, so my wife sold half her shareholding in August of that year, obtaining 113p per share.

Dominion bought Transnational Leasing of the US and later acquired a stake in Intex Holdings, a company set up with the intention of operating a fully automated futures exchange. My wife was concerned by this purchase and sold a further 1,500 Dominion shares in May 1988, for 92p per share.

She decided to keep 1,000 Dominion shares, as she wanted to continue to participate in the company's annual draw, and, later, there was "takeover talk" surrounding the company.

In September Dominion issued a statement to shareholders in September stating that a review of Dominion's businesses had "revealed that the current financial position" was "substantially worse than at the last year-end, March 31 1989."

The company stated that the board was making "substantial provisions against the value of its investments in Intex" and various other provisions, which meant that Dominion was "legally unable to pay the final dividend of 3p per share approved at the AGM," as "there are no distributable reserves."

The statement ended with the words that "the directors of Dominion have requested the Stock Exchange to continue the suspension of Dominion shares."

This week the company said Lord Barnett, the former Labour Treasury minister had resigned as chairman, and John Clarke of the Robertson group, had also quit as a non-executive director. Carl Openshaw, managing director, said he was "surprised and disappointed" by the resignations coming before the planned report on the company's financial situation, but he said they were "getting close" to an announcement.

That is all very well, but meanwhile the effect of this suspension is that my wife, who is somewhat concerned by the resignations, is still unable to sell her Dominion shares via the stock market. The shares are suspended at 52p. According to the company, the financial review is still continuing, so the shares remain suspended. The annual draw has been abolished.

There seem to be two main reasons for the Stock Exchange to suspend a company's shares: to prevent the creation of a "false market" and to protect the investor.

However, one suspects that these rules were created in the days before "insider dealing" legislation. Why not allow investors to take a punt and buy and sell shares based on their own feelings as to whether the bad news will be "terrible" or just plain "bad"? If anyone unfairly gains, due to insider knowledge, then they can be prosecuted under insider legislation.

I have also suffered from suspension myself. In 1986 I bought shares in DSC Holdings for 38p each. I sold a large portion of them for 66p each in November that year, and most of the remainder for 215p each in September 1987. I retained just 5,000 shares.

On September 4 this year, it was announced that DSC had "requested temporary suspension of listing pending approval of reorganisation." The suspension price was 81p.

Later that month the directors of DSC announced a proposed reverse takeover of Mid-State Automotive Distributors, based in the US. For a number of reasons, I was unhappy with this proposal – yet I could not sell my shares because they were suspended.

This seemed unfair. If people did not like DSC's proposed course of action, they should have had two options: sell their shares in the market, or vote against the proposals at the company's extraordinary general meeting. They were given only the latter option. Why?

Surely there could only be a "false market" in DSC shares if all the facts surrounding the purchase had not been revealed in the DSC circular to shareholders? And one assumes that all the relevant facts were given in the circular; otherwise, how could the directors expect shareholders to vote in favour of the purchase of Mid-State?

Fortunately, the suspension did not last very long. The shareholders approved the proposals relating to Mid-State, and I managed to sell all my DSC shares on October 12.

However, there are many other big takeover bids that do not involve companies' shares being suspended. Also, various companies have, over the years, announced financial investigations and yet not requested the suspension of their shares.

Is it too easy for directors to be granted permission for shares in their companies to be suspended? Of course, one would not object to the Stock Exchange itself stepping in to suspend a company's shares, if it felt that there were major irregularities or some other event that could lead to the creation of a grossly false market.

Currently, there are more than 20 companies whose shares are in a state of suspension. I think it should be made much tougher for a share to be suspended and, when it is suspended, provisional dates should be given for dealings to recommence.

Kevin Goldstein-Jackson

No penalty on gift

MY SISTER-in-law, aged 68 and now in hospital, is likely to have to spend the rest of her life in a private nursing home or rest home. Her investments are valued at £30,000 and bring in an income of £2,500 a year. It is apparent that she will have to meet her expenses out of capital, which will run out after a very short time. She will then have to rely on a grant from the Department of Health and Social Security. Would she be penalised by the DHSS if (a) she gifted her investments to her son, or (b) sold her investments and bought a life annuity?

■ As to (a), the gift would be ignored (ie, the donor would be treated as still owning the fund) in assessing the patient's means; but (b) would not invoke any adverse treatment.

A broker is sued

IN DECEMBER 1987, my stockbroker undertook to deliver share certificates and acceptance forms in connection with a bid for an Australian share I held. Due to its gross negligence, the documents did not arrive in time for the closing date of the bid and I did not receive the fairly substantial sum of Australian dollars due to me.

I am sueing the broker. Should I win my action, is there any legal reason why I should not receive the amount due in Australian dollars, as this is the currency I would have received had my documents arrived in time?

■ If your claim is formulated in a foreign currency, the courts will now be willing to give judgment in that currency so long as there is a sound reason for making the claim in such a currency.

Form is obsolete

EARLIER this year, under the heading "Why a couple should separate," you stated: "Make sure that the appropriate stamp duty certificate on the back of each (share transfer) form is completed correctly." This implies that the transfer is not liable to *ad valorem* (according to value) stamp duty. But the form I have obtained states: "A transfer by way of a gift *inter vivos* (between the living) is chargeable with *ad valorem* stamp duty."

■ Take the form back to the shop and ask for one which is not so old. You must have been sold a form which was printed before the 1985 Budget. Section 82 of the 1985 Finance Act abolished the *ad valorem* stamp duty on gifts *inter vivos*, which was introduced in 1910.

Make sure that the shop gives you a form which was printed after March 1987 so that it incorporates the form of certificate prescribed by the Stamp Duty (Exempt Instruments) Regulations 1987, SI 1987/516. These regulations were made on March 24, 1987, and came into force on May 1 of that year.

You should complete the certificate claiming exemption under head L: "The conveyance or transfer of property operating as a voluntary disposition *inter vivos* for no consideration in money or money's worth, nor any consideration referred to in section 57 of the Stamp Act 1891."

Under the umbrella

MY WIFE and I (both UK residents) are joint owners of shares in a number of offshore umbrella distributor funds. The coming taxation changes, both in the CGT treatment of switches within an offshore umbrella fund, and in personal allowances against income tax, have raised questions in our minds.

1. When the first chargeable switch is made within an umbrella fund, what should be taken as the date of acquisition in determining the cost. Should it be (a) the date of the original purchase of shares in the umbrella fund; (b) the date of the most recent switch (if any) within the fund; or (c) March 14, 1989?

2. As we understand it, in the absence of any declaration to the contrary by the taxpayers, jointly-owned assets and the income derived from them will be divided equally between husband and wife for income tax purposes; but for the assets with which we are concerned, the division for assets and/or for income can be varied by a suitable declaration.

Is there any recommended form for this declaration and how often can the declared division be changed?

3. Income is received gross and is taxed on a previous-year basis. Will income received in 1989-90 be divided between husband and wife for taxation in 1990-91, or will it all be treated as the husband's income? We believe we have seen conflicting opinions on this.

■ 1. The answer is (a) – subject, of course, to March 31, 1982, valuation if appropriate. The rule is in clause 140 of the Finance Bill, originally clause 136.

2. The combined effect of the prospective section 282B(4) of the Income and Corporation Taxes Act 1988 (prospectively inserted by section 34 of the Finance Act 1988) and clause 108 of the Finance Bill (originally clause 109) will almost certainly frustrate the scheme you appear to have in mind.

If you wish to pursue the idea, you should spend half an hour or so in a local reference library with, for example, volumes G and H of Simon's Taxes. You will find the prospective section 282B of the Taxes Act in volume G (page 1416) and a copy of the original version of the Finance Bill at the back of volume H.

Although the Bill was amended substantially and enlarged in standing committee and on report, the clauses which interest you – originally 136 and 109, now 140 and 108 – survived with their wording unaltered.

3. Separate assessments will be made on the husband and the wife for 1990-91 on the preceding-year basis, or on the current-year basis, or partly on each basis as the case might be. Where the husband has chosen (or acquiesced in) an extra-statutory basis of assessment for the years up to 1989-91 in respect of his wife's income – eg, a simple preceding-year basis along the lines rejected by the courts in Hart v Sangster 1957 – it will be open to the wife to insist upon the correct basis of assessment for 1990-91 onwards or to negotiate for another extra-statutory basis: eg, a simple current-year basis, of course.

Q&A
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WEEKEND FT SPECIAL REPORT/BUSINESS BOOKS

Commonsense policy

HOW TO WIN IN THE INSURANCE JUNGLE
By Tony Levene
Sidgwick & Jackson (in association with the Daily Mail), £6.95

INSURANCE IS not one of the more gripping topics of interest. Insurance groups may be a powerful force in the City of London, with billions of funds under their control. But the industry's image with the public is poor to say the least. It has a reputation of being a bit sleazy and boring: who, for example, would confess willingly to being an insurance salesmen?

Yet insurance represents very big business and is something we all have to live – and possibly die – with. Virtually everyone pays insurance in one way or another; albeit often reluctantly, so there is an obvious case for a book illuminating this area.

Unfortunately, the title is somewhat hyped-up and misleading. It is not, as the title and the link with the Daily Mail might suggest, an investigative book with lurid exposures of the insurance "jungle." It is in reality a practical guide about the background of the insurance industry and the different products available.

There is, it is true, early on in the book an interesting chapter on "The foot in the door and other selling techniques," which gives practical examples of the unsavoury tricks used by insurance salesmen to sell their products to the unsuspecting public, plus some good advice on how to resist being taken in.

However, the bulk of the book is devoted to assessing the merits of a range of insurance products, from the basic life assurance policies to house contents, travel and private medicine. Bravely, in view of the time lag between writing (in the spring this year) and publication, the author has included price comparisons in many cases. The prices may already be a bit out of date, but they do give an useful insight into the wide range of premiums charged for different policies and where it is worth shopping around.

Slightly unnerving is the fact that dotted among the critical assessment of the different policies are paid-for (and somewhat crude) advertisements from some of the insurance companies mentioned. Presumably they were not too frightened about being portrayed as tigers in the jungle.

Nevertheless the author, Tony Levene, an experienced freelance financial journalist, pulls no punches and takes a consistently cynical and commonsense view of what the insurance companies have on offer. He cuts through industry jargon with refreshing ease and explains the pros and cons in an easy to understand manner. The only disappointment is that there is no explanation of the role played by Lloyd's of London.

The target audience – the public – should end up knowing a great deal more about insurance products and what they are buying. A useful book to have around next time the insurance salesman calls.

John Edwards

***Philip Coggan** on an inside view of the movers and shakers in the US bond market*

Low life among the high-rollers

LIAR'S POKER: TWO CITIES, TRUE GREED
By Michael Lewis
Hodder & Stoughton, 224 pages, £12.95

THE CULT of Gordon Gekko, fictional villain of the film *Wall Street*, is over. Men with slicked-back hair and coloured braces are a cliché by now. As a good bond salesman, Michael Lewis ought to have known that the peak time for bringing out an exposé of investment banking was the summer of 1987, but he makes a strong case for persuading us that there is life in the genre yet. The dust jacket makes a comparison with *Bonfire of the Vanities* – but Lewis is no Tom Wolfe and nor does he need to be. He has enough wit and style of his own.

The book is the story of the author's career at Salomon Brothers, the king of the US bond market, and the bank emerges with little credit. Salomon denies some of the more sensational stories – such as the tale of how John Gutfreund, the chairman, tried to play a £1m hand of Liar's Poker with one of his traders. True or not, the story of the contest – a sort of rich man's version of the card game Cheat – makes a dynamite first chapter.

From that point on, Lewis only occasionally allows his grip on the reader to loosen. In the beginning perhaps the autobiographical note sounds too loud, and by the end he is crowing in his success as a salesman – his salary was £275,000, including benefits, in his last year – and simultaneously decrying the morality of it all. The reader is likely to be sparing in his sympathy.

But the joy of the book comes in its rich cast of characters, with nicknames such as the Human Piranha and real-life surnames that come straight from the cast of *The Godfather*. The abiding image is of a British boy's public school transplanted across the

Atlantic, complete with food binges and practical jokes. Traders needed strong nerves and stronger stomachs.

Life was good for Salomon in the early 1980s because the bank had drifted, as much by luck as by conscious strategy, into the premier position in the mortgage securities business. The gyrations in interest rates prompted first a crisis in the savings & loans industry (the US equivalent of building societies) and then a sharp rise in bond prices. The mortgage securities market exploded and Salomon was showered with money in the fallout.

The bond market had previously been seen as something of a backwater. At Salomon, according to Lewis, it became macho territory, with successful traders being awarded the accolade of "Big Swinging Dick." A Salomon trader in his first year made $25m dealing on behalf of his firm; he was "only" paid $90,000 that year. Disgruntled, he moved to Merrill Lynch for a *minimum* of $1m a year, plus a percentage of his trading profits.

Nemesis was suitably swift; Salomon overexpanded, as was amply demonstrated by the recruitment of Lewis himself. Other people moved into Salomon's cosy niche in the mortgage market, in neat accordance with economic theory. Internal rivalries caused the defection of many of the bank's key staff.

All this is explained by the author with clarity and humour. And a bonus feature is that one ends up with a working understanding of the bond market and even such esoterica as collateralised mortgage obligations without being bored silly. As traders might say, this book is a buy.

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Testing time for the best banks

MANAGING CHANGE IN THE EXCELLENT BANKS
By Steven Davis
Macmillan, 163 pages, £25

WHAT MAKES a good bank? This latest addition to the "Excellence" genre is an update on a book which Davis, a management consultant, produced four years ago in an effort to answer that question.

He uses a refreshingly direct technique. He polls a number of bank watchers for their best banks and compiles a Top 12. He then interviews the managements and fashions his material with a liberal lacing of quotes. The result is a book in which bankers speak largely, and rather interestingly, for themselves.

His top 12 are: Bankers Trust, Citicorp, Credit Suisse First Boston, Deutsche Bank, First Wachovia, Hongkong Bank, J.P. Morgan, National Westminster Bank, PNC Financial, Toronto Dominion, UBS and SG Warburg. Some might query the inclusion of NatWest and UBS after their recent fiascoes in the London securities business, but the list was drawn up before then.

What distinguishes these banks, Davis believes, is that they appear to be making a successful job of adapting to the rapid changes taking place in their business, whether it be in managing new types of risk, tapping fresh technology, combining different cultures within their organisations, or merely trying to justify their existence.

Interestingly, what comes through most strongly is the low expectation which most bank chief executives have of their ability to bring about big changes; indeed most of them accept, and make a virtue of, the fact that they could do little more than nudge their financial battleships in one direction or another.

Tom Frost of NatWest talks of trying to make sure that everyone is facing the same way and then giving the occasional touch on the tiller. Dick Thomson, of Toronto Dominion, says: "Some people visualise the chief executive officer as sitting behind a desk with five buttons and six levers. It's more like pushing carefully and gently on a piece of string."

Even John Reed of Citicorp, an institution not known for its modesty, is blunt about his expectations. In technology, he says: "The problem is our ability to assimilate it. We are hopelessly behind. It's an embarrassment professionally because we know better. My sense is that in five years there will be no perceptible improvement in the present situation. In 10 years I would hope that Citicorp might take the lead."

If a common theme does emerge it is that good bank managements are those which preserve the living elements of their institutions – the talents of individuals, an atmosphere of change, a competitive spirit – while also tending to the structure which holds it all together. There are many other issues, such as whether a successful bank need be big or whether it should be "universal." But they seem relatively unimportant beside the main task of getting a bank to work and keeping it working.

The conclusions Davis reaches are not enormously different from those in his first book, *Excellence in Banking*, but he has interviewed more people this time and provides an entertaining glimpse of top bankers' hopes and fears.

David Lascelles

The true plight of the poor

LORDS OF POVERTY
By Graham Hancock
Macmillan, 234 pages, £14.95

IT HAS been one of the failures of the debate over the role of aid in developing countries over the past decade that the issue of the impact of aid flows, and the conditions increasingly attached to them, on the poor themselves has not been given enough emphasis.

Many experts in the field have been trying to get the topic of the poor moved up the agenda. Indeed, there have been heated debates within the World Bank, the best-known international lending agency, about whether the Bank has lost sight of the mission it set itself in the 1960s of trying to alleviate poverty in developing countries.

So one of the strengths of Graham Hancock's *Lords of Poverty* is that he has focused on how aid is affecting the poor on the ground and has avoided becoming ensnared in the more abstruse of the economic development professionals' debates.

What is important is that he asks the much more fundamental question about whether aid and aid institutions have done, and are doing, anything significant to help. It is important too that he addresses this question not from the perspective of a political ideologue. Instead Hancock's thesis is that "aid does not work," and that it fails not because it does not promote this or that political ideology, but because "it is often profoundly dangerous to the poor and inimical to their interests."

"It has financed the creation of monstrous projects that, at vast expense, have devastated the environment and ruined lives; it has supported and legitimised brutal tyrannies; it has facilitated the emergence of fantastical and Byzantine bureaucracies staffed by self-serving hypocrites; it has sapped the initiative, creativity and enterprise of ordinary people and substituted the superficial and irrelevant glitz of imported advice . . ."

The author's indictment against aid and particularly those that administer it both in the donor and, importantly, the receiving countries is longer, but the thrust is clear.

It is unfortunate therefore that in writing he has chosen both to exaggerate the power of the aid bureaucracies and to pillory the aid agencies and the people who work for them. This is not to say that many of the points he makes are invalid or that he is wrong to focus some attention on the fraud, waste and abuse of government officials in many developing countries and the veniality, selfishness, insensitivity and ignorance of too many of the officials and employees of the lending institutions.

Conversely, one can argue that neither does he pay enough tribute to the dedicated workers who risk their lives and health – and the health and lives of their families – trying, against mountainous odds, to improve the lot of the poor in dozens of countries and villages worldwide.

For his criticisms of the aid bureaucrats and the systems by which aid is administered provide only a partial answer to the question of why the odds against aid success are so high. The lesson we have learnt over the past 20 years of aid administration is that we have underestimated both the depth of our own ignorance about how to improve the lot of the poor in most of the world, and the organic complexity of what for want of a better word we call "the development process."

Hancock's view seems to be that in the light of these failures we should throw up our hands and deny that rich countries should have institutions designed to try and help poor countries. But is it really better to leave the poor of a particular country to the tender mercies of a tyrannical government or a rapacious middle class? Is it impossible for the rich nations and the institutions which they, in practice, control to learn from past mistakes how best to play a positive, perhaps a financially diminished but intellectually expanded role, in helping the poor?

Stewart Fleming

WEEKEND FT SPECIAL REPORT/BUSINESS BOOKS

Geoffrey Owen reviews two contrasting stories of industrial success

In praise of intervention, Japan-style

THE IDEA that government and industry should work together, Japanese-style, to promote international competitiveness, especially in high-technology sectors, is gaining ground in the US. Even in Europe, where past experience of interventionist policies has been disappointing, Japan's Ministry of International Trade and Industry is seen by some businessmen and politicians as a model to be emulated. Is this admiration misplaced?

Although industrial policy has been far less important to Japan than sound macro-economic management, there is no doubt that Japanese business has benefited from intelligent supply-side policies consistently applied by MITI's bureaucrats. But would-be imitators of the Japanese approach need to understand clearly what these policies are and to appreciate the political framework within which MITI works.

Daniel Okimoto's careful and well-researched account dispels a number of myths while usefully illuminating the special role which MITI plays in the Japanese system.

Two of the strengths of Japan's industrial policies are that they are "market-conforming" rather than "market-defying" and that they have served to insulate a large part of Japanese industry from meddling by politicians. Whereas in Europe intervention has often been in response to short-term political pressures, leading to support for uneconomic industries or factories, in Japan the pockets of inefficiency arising from the strength of special interest groups, such as retailing, agriculture or food processing, are in sectors outside MITI's control.

These sectors are important constituencies for the dominant Liberal Democratic Party, which has been content to leave MITI free to develop a largely non-politicised set of measures for the key manufacturing industries. Moreover, the weakness of Japanese trade unions at the national level has spared Japan the corporatist, tripartite approach common in parts of Europe.

Okimoto shows how MITI has sought to create a supportive environment for business

BETWEEN MITI AND THE MARKET: JAPANESE INDUSTRIAL POLICY AND HIGH TECHNOLOGY
By Daniel I. Okimoto
Stanford University Press, 267 pages, $27.50

THE MISUNDERSTOOD MIRACLE: INDUSTRIAL DEVELOPMENT AND POLITICAL CHANGE IN JAPAN
By David Friedman
Cornell University Press, 265 pages, hardback $39.95; paperback $12.95

rather than to influence the performance of companies directly through funds or orders. The emphasis is on technology-push rather than demand-pull. Even the national collaborative research programmes, which are neither as large nor as effective as Westerners sometimes suppose, are intended to complement corporate R&D. Subsidies for research in semi-conductors, for example, are larger in several European countries than in Japan.

Yet the author also highlights the contrasting attitudes to market forces in Japan and the US. While both countries are committed to the market, "Japan draws the boundaries of market failure more broadly. Even when the market is functioning normally, the anticipated outcome of pure market competition may not be politically palatable; commercial and economic subordination to foreign countries is an example of an unacceptable outcome." Thus the determination to stave off domination by IBM in computers reflects "Japan's catch-up mentality and the use of a sense of external crisis in mobilising for collective action."

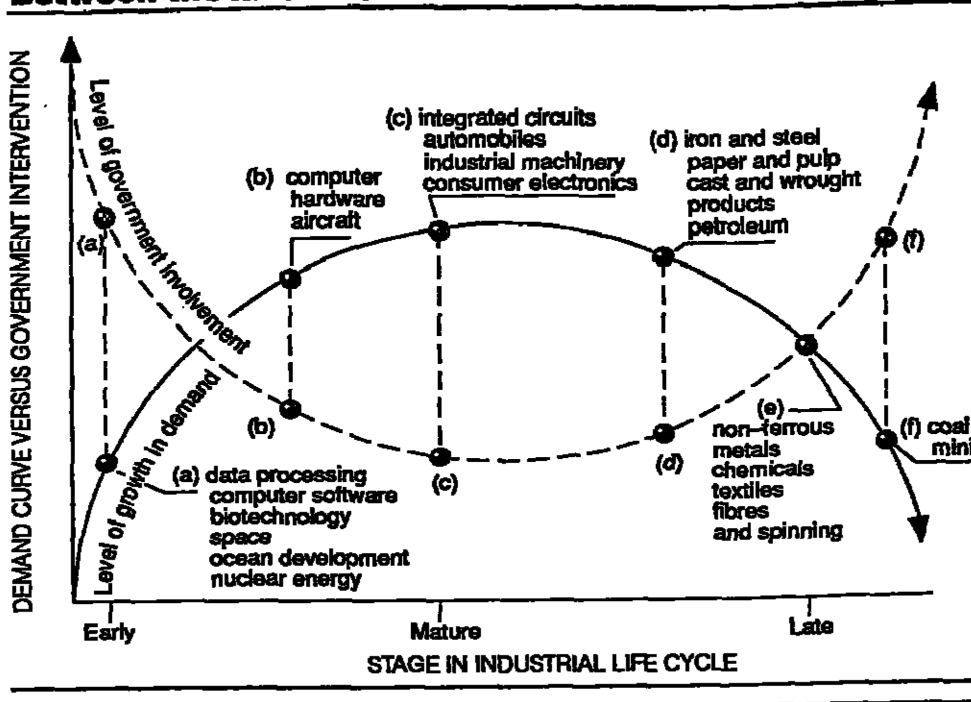
Japanese officials, says Okimoto, are ambivalent about aspects of market capitalism that do not fit neatly into the fabric of Japanese society and culture. Because they believe that collective interests and needs should take priority over those of individuals, the concept of consumer sovereignty is not widely accepted: producer groups receive preferential treatment.

It is true that MITI's advice to industry is sometimes disregarded, especially when it tries to promote mergers and rationalisation. Many of Japan's industrial successes owe little to sectoral intervention by the bureaucrats. David Friedman, in his study of the machine tool industry, shows how changes in Japan's industrial structure during the 1960s created a demand for low-cost numerically controlled machine tools among small manufacturers and sub-contractors.

This domestic market provided the basis for exports during the 1970s to countries which had overlooked or ignored the demand for low-cost NC equipment. But the industry's huge success in world markets was in no sense planned or orchestrated by MITI; indeed its efforts to reorganise the industry into larger groups were regularly rebuffed.

In general, nevertheless, MITI has been an effective instrument for defining and achieving national goals. Okimoto observes that MITI's role is closely tied to other aspects of Japanese society, including the consensual mode of policy-making, the extensive information-gathering and analysis on which consensus is based and the tradition of close government-industry relations. Yet the objectives and instruments of Japanese industrial policy are not so mysterious or unique as to be irrelevant to other countries. There are several aspects of the policy, perhaps especially support for basic research and for the diffusion of technology, from which useful lessons can be learnt.

Between the market and the state



The table above illustrates the relationship between government intervention and the stages of the industrial life cycle. Several high-technology industries are clustered at the early stage, with declining sectors such as coal at the late stage. The dotted line indicates the level of state intervention at each stage of development, with the highest levels coming at the early and late phases of the industrial life cycle

Towards greener pastures

THE BUSINESS world has been engulfed in a wave of greenery since Margaret Thatcher underwent her famous conversion to the cause of the environment last year. Industrialists can be forgiven for feeling bewildered as they struggle to cope with the new pollution control regulations that flow from governments, international agreements and the EC.

The momentum of events is likely to be maintained as governments grapple with the long-term problems of global warming, the depletion of the ozone layer, the destruction of the rain forest and the effects of acid rain. Companies which fail to adapt will lose out as consumers switch to environmentally-friendly products and shun businesses which have a poor environmental record.

But, more positively, the green revolution is also bringing new opportunities. A huge new market has emerged in the production of pollution control equipment. And a new breed of green entrepreneur has sprung up, exemplified by Anita Roddick's Body Shop.

The Green Capitalists, by John Elkington, director of SustainAbility, an environmental consultancy, and Tom Burke, director of the Green Alliance, an environmental group, is indispensable to those seeking to beat a path through the green jungle.

THE GREEN CAPITALISTS
By John Elkington and Tom Burke
Gollancz, 266 pages, £5.95

They look back to the 1960s and early 1970s, when industry was confronting conservationists rather than co-operating with them. They relate how Charles Brookes, a senior vice president at W R Grace, the US chemical company, was appalled when an aerial photograph of one of his plants showed a two square mile red blotch caused by chemicals dumped into Chesapeake Bay. A subordinate who was asked to do something about it returned with the red areas conveniently airbrushed out. "That was 1970," recalls Brookes. "We didn't think about these things."

In the past business leaders have sometimes presented a propaganda gift to their green critics by going for short-term profits with little thought for the long-term environmental damage their activities might have. This is now changing with the emphasis on sustainable development – a long-term strategy that permits growth without depleting the global environment. And the larger and more socially aware corporations have been adapting to environmental pressures for some years.

The dilemma of industry was well summarised by Gro Harlem Brundtland, chairman of the World Commission on Environment and Development. Industry was, she said, appreciated as the source of the comforts and convenience that make up the good life and at the same time reviled as the prime source of environmental problems. Great efforts are now being made to solve this – but the signs are that it is likely to be a long job.

John Hunt

A mine of information but very little glitter

THE DIAMOND RING: BUSINESS, POLITICS AND PRECIOUS STONES IN SOUTH AFRICA 1867-1947
By Colin Newbury
Clarendon Press, Oxford, 431 pages, £42.50

HERE IS academic history with a vengeance: an exhaustive – and exhausting – history of Southern African diamonds between the Big Hole in Kimberley and 1947, and certainly not recommended for browsing in quiet moments between raids in Hatton Garden. Which is not to say that it is not a valuable, indeed definitive, contribution to historical research, etc. etc; it will be valuable to the historians (I foresee many footnotes) and it will fascinate a couple of dozen of the readers of this newspaper, but the fact has to be faced that, for the rest of us, as historical narrative, it is very nearly unreadable.

This is a pity because Newbury (who must by now be a Dr. on the strength of this massive labour) has an interesting thesis. He points out, convincingly, that the tale of the exploitation of diamonds has been distorted both by a predilection for the biographical approach (the deeds of the young Rhodes, etc) and, more recently, by the professional historians' debate over the relationship between capital and labour in the interpretation of South Africa's history.

He calls in "the techniques of business history" and as a result lays a greater emphasis on the later period of consolidation and technological organisation and, more important, stresses the role of the diamond merchants in the development, and then the 1930s reconstruction, of the industry. Second, he demonstrates the vital role of governments (Pretoria and London) in guiding and shaping the emergence of the diamond cartel whose creation has been over-credited to De Beers: in passing, see today how newly-interested governments such as Botswana and Australia go along with "the economic rationality of this way of marketing such a special commodity."

The book takes us through the early years, when ownership-by-claim switched to ownership-by-concession – when oligarchy replaced diggers: the arrival at a system of housing (Black) labour in sealed compounds, mainly because of the IDB problem – with all sorts of consequences; the emergence of De Beers at the end of the 1880s, and the way in which Rhodes used it as investor in his grand projects; how his successors coped with the new discoveries at Premier and in South-west Africa; the delicate strategic issue of industrial diamonds supply immediately before the war; and much else.

Should all this – could it – be a compelling read? No doubt it is the Last Word, and we must be grateful for that. To be fair, the emphasis on production records and debt financing rather than biography, on sales contracts rather than share ownership, creates a stylistic problem: Rhodes' geopolitical crookery would make a better read than this careful report of how "forgotten men" in forgotten companies such as Bultfontein and Dutoitspan negotiated their deeds of association with De Beers.

Despite all that, there is no hint here of the fundamental fascination of the diamond industry, which is that so much can be built on the nonsense of sparkling stones; no narrative drive and no elegance in the telling; above all, no adequate attempt to put these events in the context of South Africa's stormy history. It is a very hard slog to read: heaven knowns what it was like to write.

J.D.F. Jones

WEEKEND FT SPECIAL REPORT/BUSINESS BOOKS

Alan Forrest assesses a history of Britain's 'new tycoons'

Just ordinary millionaires

THE INTRODUCTION to this book sets the style. "Not since the heyday of mid-Victorian capitalism has the individual creator of wealth been so lionised by society . . . In the Thatcher era it has become acceptable to be rich, just so long as you work a 14-hour day and give time and money to charity. The advent, in 1980, of the Unlisted Securities Market (USM), designed for young companies to raise capital from the City, has created a new breed on entrepreneurial millionaire. By 1989, more than 600 companies had been launched on the USM."

The authors, both City journalists, bring a nice, gossipy approach to the job. They cover 11 companies and their master-minds. At the beginning of 1985 the market value of the Eleven was well under £1bn – four years later they were worth £5bn.

The thing their young founders have in common, it seems, is "ordinariness." And also an ability to make money. Few of them carried their education beyond A-level. I suppose you could say the same about Max Beaverbrook and Jesse Boot (who was pretty rich by the time he was 40), but don't let's spoil a good story.

Bevan and Jay keep us excited. Their subjects range from Anita Roddick of Body Shop International – who had to paint the walls of her first Body Shop green because it hid the damp patches – and Sophie Mirman of Sock Shop International, who started in Marks and Spencers' typing pool, to Next's George Davies, jewellery king Gerald Ratner, Amstrad's Alan Sugar and more.

With the pre-tax profits of Body Shop International jumping 30 per cent to £5.8m for the six months to August this book is timely indeed and the section on Anita Roddick, quite early in the book, is so good that a lot of the rest could be an anti-climax. It isn't, but the profiles of Roddick and Sophie Mirman are excellently done.

Roddick, daughter of Italian parents, returned to her home base at Littlehampton, Sussex, after an anthropological odyssey which included the Polynesian islands. "I was 27, Italian and I wanted to have kids." She met Gordon Roddick, who at that time was writing novels and is now her partner at Body Shop. "It was love at first sight. Our courtship lasted about four and a half minutes."

It took rather longer to get Body Shop going, but she points out that its success has helped her into a position where she can nurture young talent. "We have a young man who wouldn't have stood a chance anywhere else, as he is always irritating the life out of us with new ideas. You have to learn to love the anarchist, as he will be the one to push you and your company further."

This is the sort of book you can sit down and dream with. It provides a fascinating look at the new people in business, although I'm not so sure whether the new tycoons are all that different from the old tycoons, except that they have taken on the Establishment and seem to have won, or are in the process of winning.

And how many people have started a business like this? "Mirman had the idea for Sock Shop one cold January day in 1982 when she wanted some white woolly tights to go with an outfit. They were not to be had. She became annoyed, then intrigued. It turned into a quest."

And that's a long way from James Watt watching the kettle boiling. Or is it?

THE NEW TYCOONS: BECOMING SERIOUSLY RICH AT 40
By Judi Bevan and John Jay
Simon and Schuster, 244 pages, £15.95

A good school report

YOUR BEST BUSINESS SCHOOL IN EUROPE
By Bjorn Olsson, Paul Nestvold and Richard Hewitt
Eburon Delft (Netherlands), 207 pages, Fl40

MANAGERIAL CATALYST: THE STORY OF LONDON BUSINESS SCHOOL
By William Barnes
Paul Chapman Publishing, 182 pages, £7.95

AMERICA'S TOP business schools are used to being written about. Europe's are not. The European schools are much younger, less highly regarded by employers, and extremely sensitive to attempts by outsiders to evaluate their performance.

They need not worry unduly about either of these books. Both are written by business school insiders. The authors of *Your Best Business School in Europe* have just graduated from the Rotterdam School of Management with Master of Business Administration degrees. *The Story of London Business School* is an official history by one of the school's founding figures.

All the same, *Your Best Business School* is not a bad starting point for anyone thinking of doing an MBA. The book's strongest point is a chapter of comments from European employers on what they think of MBAs. Although generally positive, they do their best to stamp on the expectations of MBAs who think they have hit on an automatic route to a senior job at a huge salary.

"These people seem to feel that they do not have to work hard or make a contribution. Somehow they think that having an MBA will do it for them," says René Brams, European personnel manager of Proctor and Gamble.

The most disappointing part is the description of the schools. Apart from the odd oblique criticism by former students, the book describes each school in much the same way as they would describe themselves. Little attempt is made to evaluate the extent to which they live up to their promises.

The book does not say what the business schools think of each other. Staff at the continental schools, however, usually express ambivalent feelings about London Business School. They are awed by the quality of its research, impressed by the talent of its staff, and grateful that LBS has, over many years, been unable to get its act together.

William Barnes does not entirely ignore what many at the school see as LBS's central problem. "The place is so stuffed with prima donnas as to make leadership very difficult," he quotes a former student as saying. Nevertheless, this is a book about LBS's achievements rather than its defects, and its achievements are considerable.

It is not a handbook for students thinking of attending LBS. It will be enjoyed, however, by anyone who has had anything to do with the school and is familiar with some of the names. It should also be read by anyone interested in the history of British management education and the many efforts to improve its quality.

Michael Skapinker

Serious money-makers

THERE ARE, says John Train, three ways of achieving unusually good stock market performance. You can buy and sell individual stocks according to whether they are cheap or dear; you can buy into long-term growth stocks and hold them for a period of years; or you can try to detect some new and unexploited investment opportunity, such as the Japanese stock market in the 1960s.

He broadens this theme with a series of portraits of successful US fund managers. Since this is a sequel to an earlier best-seller, he has had to look beyond the giants such as Warren Buffet and John Templeton, whom he profiled before. But his list nevertheless includes the likes of George Soros and Peter Lynch (who have both recently published their own books) as well as several rather more obscure practitioners.

Few close similarities of style in fact seem to emerge, although the top portfolio manager does appear to have a characteristic personality. He has usually come from a poor background (though he is well-educated); he has intense powers of concentration; and he is prepared to work all hours, cutting out vacations, and generally steeping himself continuously in the atmosphere of the markets. There are no brilliant amateurs in this list.

Apart from that, the "masters" insist on doing their own analysis and claim to have no use for the heaps of so-called research which stockbrokers pile into their in-trays. ("You've got to *sell* to those people," says one guru.) To make money you have to differentiate yourself from the herd. But there the common ground ends. The top money managers tend to have quite distinctive styles or niches.

At one extreme, Peter Lynch, who runs Fidelity's Magellan Fund, says he spends about 15 minutes a year on economic analysis. He also has little appetite for "market timing" manoeuvres which involve guessing which way the market as a whole is going to move. Instead he is the classic "bottom up" operator who picks individual stocks and is always talking to companies.

On the other hand, Jim Rogers, who worked with George Soros at the Quantum Fund throughout the 1970s, is a "top down" man who starts by identifying broad social or economic trends and then seeks to find companies which will benefit. His former partner, Soros, perhaps has the broadest sweep of all: much of his activity is in fact in currencies or commodities rather than stocks. His preoccupation is with "reflexivity," the feedback process whereby perceptions change events and a market trend can become self-justifying – until overheating is followed by bust.

Soros and several others in the list rely on talents at trading, which is really a question of being able to sense when a trend has changed and then being able to act immediately. Lynch buys $50m of stocks and sells $50m every day, on average. John Train, himself no mean investment manager, warns that few are successful at this aspect of the game. "The non-professional can scarcely aspire to that degree of skill," he says.

It is noticeable that none of these star performers follows the charts, or appears to use computers to any extent. They depend upon fundamental analysis in one form or another. So much for the efficient market theory, except that Train appears to be rather inconsistent in the way he presents performance figures, and he is generally uncritical in the face of some fairly shameless boasting by certain of his subjects. Dog should not bite dog, perhaps, and Train is evidently no cannibalistic Rottweiler.

So what can the average punter learn? Mainly that top level fund management is a very serious business. And only Jim Rogers gives some specific, if idiosyncratic, advice: buy Indonesia and short Sotheby's.

THE NEW MONEY MASTERS
By John Train
Harper & Row (New York), 378 pages, $22.50

Barry Riley

The life of Gordon

BIOGRAPHIES OF insurance men are rare, and 400-page examples of the genre are virtually unheard of. The reason is obvious: there are no more than a handful of people in the insurance industry worldwide whose life stories would make obviously gripping reading. These exceptions include Larry Adler, the Hungarian-born entrepreneur who founded the FAI insurance concern in Australia, or Sir Mark Weinberg, who revolutionised the British life assurance industry in the early 1960s. Another happens to be Donald Gordon.

This newly-published biography of Gordon, the creator of South Africa's largest and most successful life assurance group, is well worth reading. Not that it is terribly well written, or full of perceptive insights about the motivation of Gordon, the son of a Lithuanian Jewish immigrant, who over the last 30 years has emerged after a string of corporate deals as one of the most powerful businessmen in South Africa.

In many places, the book is little more than no-holds-barred hagiography, and it is no surprise that Gordon himself shows such satisfaction with the biography in the foreword which he himself contributed. The author, Ken Romain, a former Spitfire pilot turned financial journalist, displays the command of cliches that can only be achieved by 30 years in the newspaper business.

The book is nevertheless fascinating because Gordon has been prepared to reveal so much about the blow-by-blow story of individual mergers, acquisitions and power struggles both in South Africa and in the City of London. Of these, the most immediately interesting was his tussle with Peter Grant, chairman of Britain's Sun Life Assurance, which reached a climax in September 1988 when Gordon's investment vehicle, Transatlantic Holdings, used its near-30 per cent stake in Sun Life to vote down Grant's ambitious plans for a partnership with UAP, the largest French insurance company.

The Sun Life battle was one of the more intriguing financialpunch-ups which the City of London community has seen this decade, and all the more titillating because the major British insurance companies which also own stakes in Sun Life, such as Sun Alliance, Prudential, or Commercial Union, were placed in the embarrassing position of being seen to line up either behind Grant, a born and bred member of the British Establishment, or behind Gordon.

Not that Gordon is a complete outsider: since 1971 he has been a director of one of the UK's largest composite insurers, Guardian Royal Exchange. As *Larger Than Life* makes clear, Gordon's relationship with GRE's former managing director, Ernest Bigland, was a decisive factor behind Liberty Life's growth. GRE actually owned a majority stake in Liberty from 1964 to 1978.

The Sun Life story gets an entire 32-page chapter to itself in Romain's book, and for those observers in the City who have followed Gordon's interest in the company since Transatlantic first became a shareholder in 1981, there are some revelations which will raise eyebrows.

In 1986, for example, Gordon put it to Lord Barber, at that time chairman of Standard Chartered Bank, that it would make sense for the two of them to take over Sun Life together. The deal would have helped prevent Standard Chartered falling prey to the takeover bid by Lloyds Bank.

There are many other intriguing details of this kind: it is rare for example to see the text of private correspondence which passed between two business rivals such as Gordon and Grant.

Doubtless Grant might tell the story a rather different way: perhaps, and this is not a frivolous suggestion, he should write his own account of the affair.

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MINDING YOUR OWN BUSINESS

Roy Hodson looks at the state of the market and finds that much of the activity centres on the 1992 target for European harmonisation

Buy with care . . . and sell with caution

ARE YOU thinking of selling your business or buying someone else's? Before putting a foot into that minefield, it might be as well to see what the market looks like this autumn.

Barrie Pearson, 50, is managing director of Livingstone Fisher Associates. He has helped to build it into one of the livelier London corporate finance houses, specialising in acquisitions and disposals of businesses in the small to medium size range. That is, businesses bought and sold for under £1m to £25m.

In many sectors of the British market, he says: "There is at present a surfeit of willing buyers, and a scarcity of businesses worth buying at a reasonable price."

Trading in businesses is being influenced strongly by a scramble to make acquisitions before 1992, the date set for the harmonisation of the European market. Rightly or wrongly, this has become fixed firmly in many managerial minds as the point by which all arrangements to cope with European business in the 1990s, and then into the 21st century, must be neatly in place.

The concomitant is that, already, a number of businesses for sale are becoming rather expensive when judged by strict professional yardsticks. They are assuming a scarcity premium in a sellers' market.

Pearson says that, in the present market conditions, small companies with turnover under £250,000 should think twice before trying to get bigger by buying another business. "They should ask themselves whether the potential rewards are commensurate with the risks they are facing.

"One of the problems of the small business is that it rests on the motivation and commitment of the owner. If you take over a small business and lose the services of the owner, it can easily transpire that you do not have a lot left . . . "

Buying a company now involves many new responsibilities and attendant risks for a small business that can be higher than the exercise is worth. That is the message upon which the specialists in the market appear to be agreed.

A firm specialising in selling companies said (with a remarkable degree of openness, considering its stock-in-trade): "We are very wary about recommending acquisitions for small businesses."

By and large, owners of small businesses have the good sense to recognise that almost any acquisition will result in them having to pick their way delicately through that minefield of problems – including retaining key staff, winkling skeletons out of cupboards, and meeting higher-than-expected fringe costs and professional fees during the acquisition.

Selling a company is, of course, another story. "What tends to happen, all too often," says Pearson, "is that a small business is frightened by an approach from a large, listed company. Panic sets in. The small business is prepared to progress matters with the potential buyer instead of taking time out to reflect on the overall position and to work out whether the approach makes sense.

"After all, there are alternatives to an outright sale, including arrangements through a financial institution to 'unblock' the holdings of those shareholders who wish to take the opportunity get their money out."

The truth is that any small business person thinking of selling should plan strategy carefully several years in advance. So many sales of small businesses in which the owner plays a big part in the management will stand or fall upon the effectiveness of an "earn-out" deal. The prospective seller will have to agree to remain at work in the business for a period after it is taken over (typically, between two and four years).

The result is that many small business owners will find themselves working harder than they have done in their lives during that interim period when what they really want to do is extricate themselves to enjoy a quieter life.

As a general rule, it pays to plan the time-scale for the sale of your business five years in advance. And don't expect to find the time for any relaxing pre-retirement cruises during those years.

The right time to sell if you are the owner of a small business depends upon your personal life-style and what motivates you, just as much as upon the financial side of the deal.

The traditional pattern in the small business world was set by the owner-manager who would sell when he reached his late 50s or early 60s and enjoy retirement on the proceeds.

lionaire status is not what it was and, moreover, that it is being eroded persistently by inflation. Can you *really* live comfortably for the next 30 or 40 years off the income from £1m? That is the hard question that comparatively youthful sellers should ponder.

Getting the timing right is the most important single matter when you decide to sell your business. Clearly, the order to secure a better price.

Whatever you decide, a realistic valuation is essential. Nothing scuppers a sale so quickly as the vendor having an inflated idea of what his business is worth.

How much will it cost to sell your business? Typically, the cost of professional advice and work on a deal will tot up to between 1-2 per cent of the value of a successful deal.

UK Mergers and acquisitions - deals completed to end June 1989

	1987 Number	1987 Value £m	1988 Number	1988 Value £m	1989 Number	1989 Value £m
Public companies	197	13,895	158	19,076	77	9,442
Private companies	1740	13,803	2083	18,587	874	6,799

Source: Acquisitions Monthly

But the market now is dealing with an increasing number of men and women prepared to sell after running their businesses for a much shorter period – often, while they are still in their 30s or 40s.

In many cases, they ask themselves: "Will the sale provide an amount of income sufficient for the rest of my life?" The £1m figure still has a certain seductive magic. But the good business adviser will remind such a client that mil-

market will not respond too well if the business is entangled with a tax problem, or faces litigation over an alleged pollution offence. Best to wait for better times when the horizon is clearer.

But equally strong arguments for holding back a sale can be employed for some businesses that are doing well. If profits are just entering a cycle of strong increases, for instance, it would probably pay to wait for a couple of years in

Some brokers will charge up to 5 per cent for a small but complicated transaction. But if the deal falls through, the institution or broker normally will charge a lower sum depending upon the volume of work involved – probably between 10 per cent and 25 per cent of the fee that would have been levied for a successful deal.

These days, the small businesses market is borrowing the merchant banking practice of a "win fee" and a "lose fee." As one man wise in the ways of the market for businesses put it to me: "There are no silver medals in corporate finance. The client either has a good deal or he is faced with no deal plus a bill. In the case of a failed deal, it is in everybody's interest to make the bill as painless as possible."

Increasingly, the merchant banks are showing an appetite for handling the smaller business deals for buying and selling companies. To remain competitive, the specialist companies which, traditionally, have been active in that market are having to pay more to recruit and keep top-calibre people. Livingstone Fisher Associates, for instance, is prepared to pay a few people in their 30s more than £100,000 a year if they produce the required results.

But it has a valuable territory to defend – a substantial share of the market in small companies in the price range of £1m to £25m annual turnover. In Britain, up to 1,500 companies in that size range are changing hands every year. It will continue to be a growth market so long as nothing catastrophic occurs to halt the small business movement

Take some tips from the experts

HERE ARE some tips from experts in the trade that should be remembered when buying and selling small companies:

- Consider the alternatives to outright buying or selling – such as management buy-ins or buy-outs, selling a stake, or merging.
- Beware of buying what is for sale rather than what you want.
- When selling, prepare carefully in order to get the best price.
- Be prepared to use outside help when searching for a suitable acquisition.
- Whether buying or selling, advertise selectively and effectively and, above all, carefully.
- When committed firmly to selling, consider having a controlled auction among a small group of potential buyers.
- When buying, carry out a careful assessment of the seller. It should include details of the business and its potential, key staff and their contracts, and the owner's extravagances – including spouses, drivers, relatives employed in the business, planes, boats, horses, entertainment and sponsorship.
- Buyers should value the business on their projections of profits and cash flows and other benefits, together with assessment of balance sheet worth and assets.
- Sellers should assess the value from the buyer's standpoint, competition from other buyers, the effect of a sale upon their own lifestyle, and whether a sale would be premature.
- Manage your acquisition properly by assuming financial control at once. Listen to advice from the vendors and inform customers, suppliers and the staff.
- When selling, don't expect to be able to hand over the shares and walk away. A sales document can run to several hundred pages and it would not be prudent to skip any of it. Remember that the detailed arrangements will take months to settle.

Company lore

FORTY LARGE, listed British companies were surveyed by Livingstone Fisher Associates to discover the methods they use to make acquisitions of unquoted companies, and their attitudes towards the various professional advisers involved in buying and selling companies:

- Views on professional advisers. Only one of the 40 companies was prepared to recommend a particular merchant bank for acquisition help and advice. Eight of the companies recommended the services of a specific accountancy firm for investigating the status of companies.

However, half of the companies used their own auditors, and 40 per cent used their own staff, to do the work.

- Valuation techniques The use of discounted cash flow analysis techniques for acquisition valuation was confined largely to the biggest companies. Most of the companies valued prospective purchases in terms of price-earnings ratios and the percentage of pre-tax profit return on investment.
- How acquisition targets are spotted. Nearly a quarter of the big companies found the assistance of merchant banks useful in finding acquisitions. Fifteen per cent said specialist corporate finance advisers were effective.
- Use of professional advice. Nearly half the companies used specialist tax advisers but only one used a professional adviser to lead its early talks with vendors. However, more than one-quarter used professional advisers when the detailed negotiations began.

Property

The developers who are dreamers, too

***John Brennan** looks at two men who have different approaches but share the capacity to drive — and be driven by — an idea*

MOST PEOPLE don't equate developers with dreamers. But the breed does exist — and in greater numbers than many suppose.

Some leave the boardroom but rarely, preferring the models and the deals. Most, however, can't resist going backstage where the men in hard hats outnumber the civilians. That's when they have the chance to show what the inside of a dream looks like.

Andrew Wadsworth and Henry Hector are two very different developers who share the capacity to drive, and be driven by, an idea. In Wadsworth's case, it has been a succession of development ideas built upon the initial conviction that the derelict industrial buildings and warehousing next to Tower Bridge, on the south bank of London's river Thames, could be transformed into a prime property area. Ten years ago, his Jacobs Island Company was formed to become what now ranks as one of the earliest London Dockland pioneers.

Hector cannot match the couple of million square feet of residential and commercial schemes and plans now on Jacobs Island's books. As design and project manager of Fineland Estates, he has spent much of his time developing individual houses and small estates of villas in the wealthier parts of the Mediterranean holiday belt.

The parallel with Wadsworth as a developer/dreamer takes its form on a 22-acre site facing the Bristol Channel near the city of Bristol. There, he found a long-empty naval college modelled upon its more illustrious counterpart at Dartmouth. For 120 years, the former National Nautical School was home and strictly disciplined school for thousands of otherwise homeless and destitute boys.

Once crammed into former naval ships moored off the Portershead peninsular, the 350 cadets moved ashore to a new building by the Black Nore lighthouse in 1906. Closed 10 years ago, house-builders took one look at the listed facade, and the jumble of half a century's random additions, and either passed on to easier sites or bid subject to demolition. Hector, on the other hand, fell for the building.

Fineland picked it up for £800,000 and set about gutting, reclaiming and transforming it into the Fedden Village, the first phase of which covers the central school building. Conversions and additions helped to turn it into a 94-flat community with a provincial version of the kind of integrated health club and sports facilities that have become commonplace in larger London residential schemes.

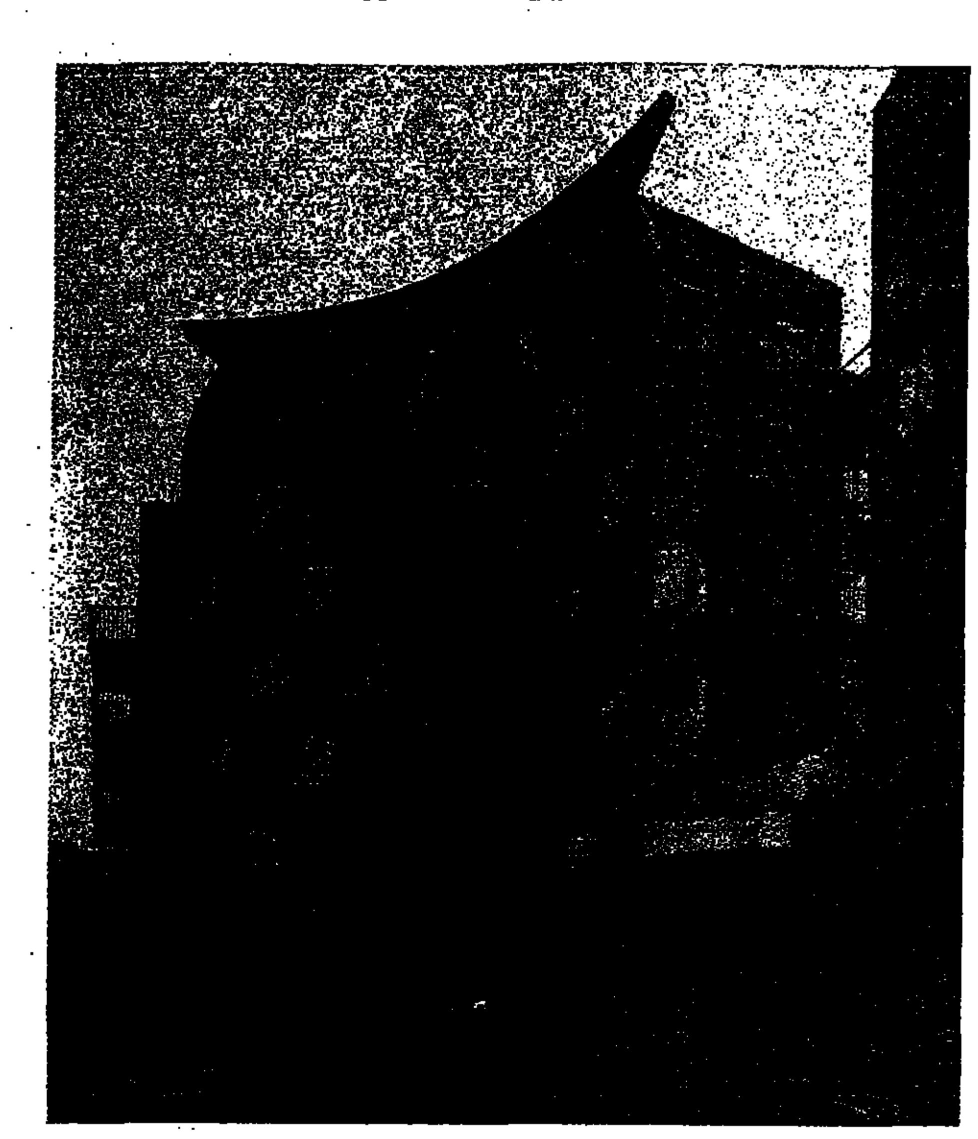
The building proved just as much of a structural nightmare as the sceptical housebuilders imagined. Time and costs stretched as Hector was forced to drive foundation supports through the school block, as well as going to exhaustive lengths to inject character into what might easily have become no more than a facade full of accommodation units. His passion was to achieve "something special."

A £10m-plus site, construction and funding bill later, just 14 of the units are ready for sale in a profoundly dull market. Yet, Hector still walks on springs.

He remains convinced that Fedden Village is ideal for anyone seeking a high-specification home with a stunning sea view and the full panoply of today's residential community facilities — from pool to secure parking; bowling and tennis clubs; and marble, porter-serviced entrance halls.

Joint agents C. J. Hole (0272-844-078) and Jackson Stopps & Staff (0392-214-222) have the task of conveying Hector's dream to prospective buyers with sufficient clarity to convert it into sales at a negotiable £145,000 up for one-, two- and three-bed apartments and maisonettes.

The prime common denominator between Fedden Village and Jacob's Island's The Circle is the respective developers' vision of creating "special" buildings on an ostensibly unpromising piece of land. On virtually every other count, the two schemes illustrate opposite approaches to the residential development business.



The Circle, where the completed flats are, if anything, better than the display mock-up

Hector is building a composite whole that, he hopes, will draw-in buyers. Wadsworth went after the buyers first.

He pre-sold no fewer than 285 of the 300 flats in The Circle, with advance purchase commitments of £57m - a success all the more striking because it was achieved in the last few weeks before the Docklands' housing markets went as silent as equity dealers' telephones after the autumn crash of 1987.

In the boom times, £200 to £300 (or more) per square foot for an off-river apartment in an un-built scheme in a south-east London back street seemed demanding but just about believable. Times have changed, though. Two years later, and with total development costs of £50m, the 271 apartments and 28 penthouses in 500,000 sq feet are nearing completion around the exotic, blue-glazed brick circle that gives the scheme its name and shape.

Fedden Village, where a long-empty naval college is being turned into high-specification homes

Wadsworth is happy: "It's great to see the building coming to life." But have those pre-sales stuck? "Obviously, there are people who say: 'Oh my God, what a disaster. I've bought into a grotty bit of Docklands and the market has collapsed.' But when they see what they have bought, it's a totally different story."

Wadsworth confirms that the company has been "taking quite a tough line on completions. We say that we have held diligently to our side of the bargain and they should hold to theirs."

The building programme has been parallelled by an equally active effort to keep that £57m of advanced commitments live. "People have had a long time to organise for the purchase and the general malaise in the market has not come as any surprise," Wadsworth says. "We have been helping by coming up with innovative mortgage packages — the Danish Nycredit is offering five-year money at 12 (or just over) per cent and Allied Dunbar have been able to come up with lots of special deals."

In the final analysis, though, Wadsworth believes it is the reality of the building that has enabled the group to achieve a near-90 per cent completion of pre-purchase agreements thus far.

"People who come to see the flats are nervous because they have forgotten what it was they bought. We could have said, okay, we've sold the building so we can cut corners now but,instead, we've added to the specification and the whole scheme is chock-a-block full of facilities with an 18-metre swimming pool, a health centre, business centre, gardens, fountains, 420 underground car parking spaces, 24-hour porterage and shops.

'We have held diligently to our side of the bargain and buyers should hold to theirs'

"The other factor is that this particular neighbourhood is fast becoming a fabulous area with the Design Museum open around the corner, Hayes Galleria, Horsleydown Square coming out of the wraps . . . When people were buying, the area was 30 per cent completed. Now, it's 70 per cent complete and almost back to normal as a piece of London which is beginning to show its true potential."

. It is obvious that no-one needs to sell the virtues of the South Bank to Wadsworth. As for the building, he is equally adamant that quality is worth the effort. "People take a look at some of the rubbish they can buy in Clapham or Fulham, with a shoddy two-bedroom conversion for £130,000 or £160,000, or at some of the awful new stuff that has been put up,

"Even in a buoyant market, builders who made pretty poor-quality stuff had problems selling it, and there is no use hiding behind the demise in the market to say that nothing is selling. Good stuff still has a market."

That principle seems to have paid off at The Circle. Jacobs Island pulled out all the stops in its pre-sale mock-up of the flats, with the usual mix of high ceilings and comprehensive fittings you expect to see in a development shop window. Then, Wadsworth went out of his way to give form to the idealised image of a Docklands' apartment.

In real life, the differences are that the scheme's five-star, hotel-standard entrances off that distinctive central, blue-glazed circle are more lavish than the design models and the completed apartments are, if anything, better than the display mock-up. Those who bought the dream can say fairly that Wadsworth made it happen.

PROPERTY

Acres of space for a place in the country

Planning permission for your mansion might be quite hard to come by, reports Michael Hanson

WHEN IT comes to building country houses – real mansions, not the little houses that speculative builders long to run up by the *thousand* – *life can be trying* for potential patrons. Millions of acres of farmland in the UK may be about to be taken out of production because of alleged food surpluses – about which the Third World has a different view – but just let a man with 100 acres or more try to build himself a true country house, such as his 18th century ancestors may have done, and the planning difficulties start to pile up.

One who found the problems easier to deal with than most is Major Sir John Pelly, the 6th baronet, who last month moved out of his family seat, Preshaw House, and into a newly-built manor house 300 yards away on his 1,300-acre Preshaw estate, at Upham, near Southampton, Hampshire.

His 17th century Preshaw House, added to in the 18th century, again by John Nash in the 19th century, and yet again in 1910, was so large that in its heyday it used to employ 60 staff. Now Sir John has a three-bedroom house with a housekeeper's flat and all modern conveniences, designed by Richard Lister, of Newbury agents Dreweatt Neate, in the Georgian style, using handmade bricks. Not all that small by modern standards, its 4,500 sq ft includes a drawing room, dining room, study and picture gallery. However, it was too small to take all the contents from the old Preshaw House, many of which were sold at auction.

It may well be easier to get permission to build a golf course on redundant farmland, with a clubhouse as big as a hotel, than to build a country house. Whitbread, the brewer, seemed to think so when it paid more than £1m in June to buy 271 acres of Tring Park, Hertfordshire. Jacob Rothschild, who sold the parkland through Brown and Merry, had permission to build a country house designed for him in 1960 by the late Lord Llewelyn-Davies, architect of the Stock Exchange Tower. That house will never be built, but a golf course may well yet appear.

Not far away, planning permission has been given for a large country house designed by Christopher Tebbutt, of the Architeknic practice in Islington, north London, to be built in 184 acres of grassland and woodland at Lamer Farm, Wheathampstead. The agents, Lane Fox (tel: 01 499-4785) want around £1m for the land; the house will cost almost as much again to build.

Mark Cherrington, son of the late John Cherrington, for years the Financial Times' farming correspondent, sold his 823-acre Hippenscombe estate in Wiltshire this summer through Knight Frank & Rutley for nearly £2m. Apart from having one of the best pheasant and partridge shoots in the UK (where Nick Penn runs his Pensports shooting school) planning permission has been given for a seven-bedroom mansion on the site of an existing modern farmhouse.

Sites for country houses are not cheap. Earlier this summer, Savills sold a 548-acre farm in Somerset for £1.4m, with planning permission for a five-bedroom house designed by Barrie Taylor of Warminster. Last month, at an auction held by Savills and the local office of Fox and Sons, £670,000 was paid for the site of Burgate House, a mansion in the New Forest where five people were murdered in 1986. Planning permission has been given for a new country house to be built on the 8.5-acre site beside the River Avon.

Humberts (tel: 01-629-6700) is now seeking offers of £550,000 for a 4.5-acre site in the New Forest, near Brockenhurst, Hampshire, with detailed planning permission for a large neo-Georgian country house to be built on the site of Hincheslea House, a 19th century house now demolished.

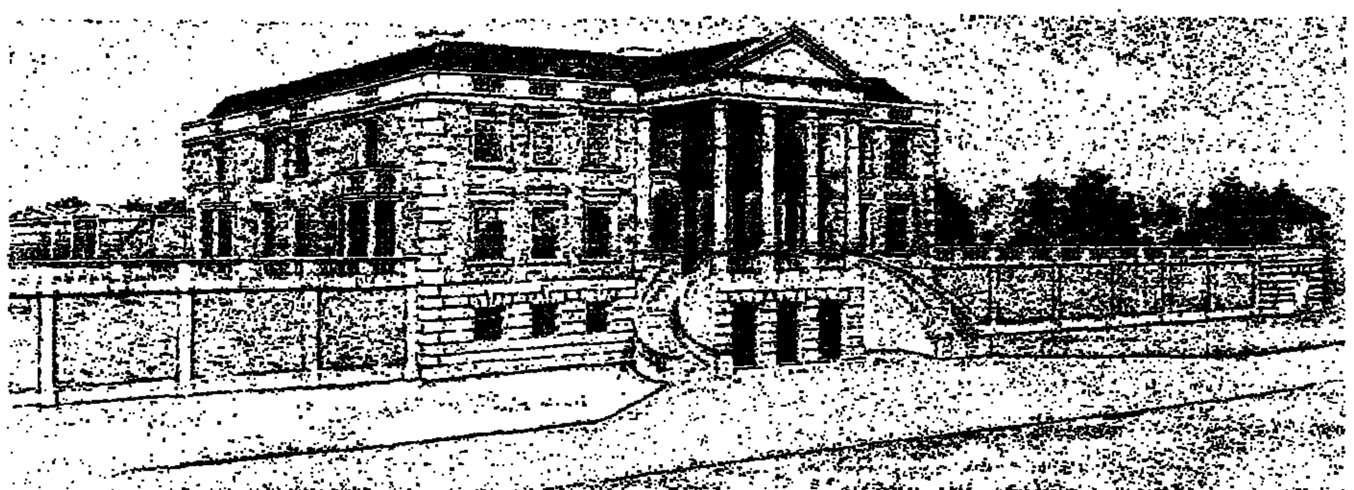
In Scotland, there is a site of truly heroic proportions with consent for a new mansion: the 2,620-acre Marchmont estate in Berwickshire, 37 miles south of Edinburgh. This has one of Scotland's most spectacular pheasant shoots, centred on an 18th-century park and woods of 540 acres. The rest is arable land. Offers of more than £2.75m are being sought by the Edinburgh office of Savills (tel: 031-226-6961).

The bargain of the year must be a site with detailed planning permission for a country house in Oxfordshire. Offers of £750,000 were invited in the spring, but the Chipping Norton office of Knight Frank & Rutley (tel: 0608-41914) is now asking £635,000. This is not just the cost of the 2.5-acre walled garden that used to belong to the 17th-century manor house at North Aston, but the all-in price to have a country house designed by architect Douglas Gunn in the Queen Anne style and built by the vendor, Frank McGough.

The house will have six bedrooms, five bathrooms, six reception rooms, a staff flat, stables, outbuildings, a tennis court, landscaped gardens and an eight-acre paddock. As Jeremy Neave, of Knight Frank & Rutley, says: "The house will be tailor-made to the purchaser's personal requirements in terms of fittings and finishes."

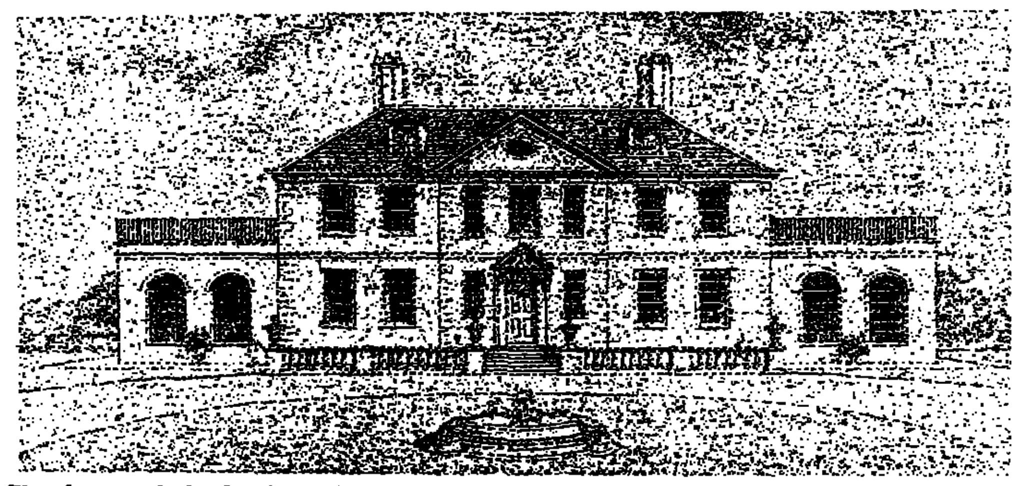
A year ago, a Hertfordshire millionaire, Bill Woods, paid more than £900,000 for the 395-acre Fourways Farm near Great Gaddesden, on the Bedfordshire-Hertfordshire border. It has planning consent for an agricultural worker's cottage, but he wants to build a Palladian mansion costing £2m to £3m.

From the entrance gates on the southern edge of the estate, a long gravel drive will wind through the woods to a pair of entrance lodges with an arched entrance to the garage and stable courtyard, and to ornamental gates giving access to the main entrance courtyard. The house will be unashamedly classical, with porticoes, pavilions and parterres, but it has also been designed for contemporary living. Despite its apparent size, it does not have an excessive amount of accommodation – five principal bedrooms, a nursery suite and a staff flat – but it does have a suite of grand reception rooms overlooking the landscaped gardens, to which two flights of stone stairs curve down from the great portico. On the lower floor is an indoor pool, gymnasium, games room and sitting area.



South Bedfordshire's planning committee is to decide whether to allow this architect-designed Palladian mansion to be built at a cost of £2 to £3m on a 395-acre site that will be landscaped in the grand manner

Michael Balston, the landscape architect, uses existing woodland to shelter the house. He has also designed formal gardens and square lawns, an octagonal pool, rose gardens and kitchen gardens with fruit and vegetables. There is just one snag: the site is in the Metropolitan Green Belt and in an area of outstanding natural beauty, being on the edge of the Chilterns. Bill Woods' Turkish architect, Alp Arikoglu, says: "The house is merely of sufficient size and quality to be appropriate to the land whose natural beauty it will eventually enhance."



Planning permission has been given for this Queen Anne-style country house to be built in a walled garden at North Aston, Oxfordshire, for £635,000

Members of the South Bedfordshire planning committee are to inspect the site before making up their minds on the application. They may feel obliged to reject the application because it is in the Green Belt, but they may feel able to make an exception in the circumstances. After all, quite apart from all the stately homes that have been built in the country and are now part of our national heritage, new country houses are now being allowed in the Green Belt and in areas of outstanding natural beauty.

Earlier this year, a derelict Grade I mausoleum in 165 acres of woodland and deer park at Cobham, Kent, was sold through Cluttons for well over £500,000 for the trustees of the 11th Earl of Darnley after the Environment Secretary had allowed it to be incorporated in a new Palladian mansion. One mansion in the Green Belt is nearing completion at this moment on a five-acre site in Berkshire. The young couple who own the 12-bedroom house at Sunninghill just happen to be the Duke and Duchess of York . . .

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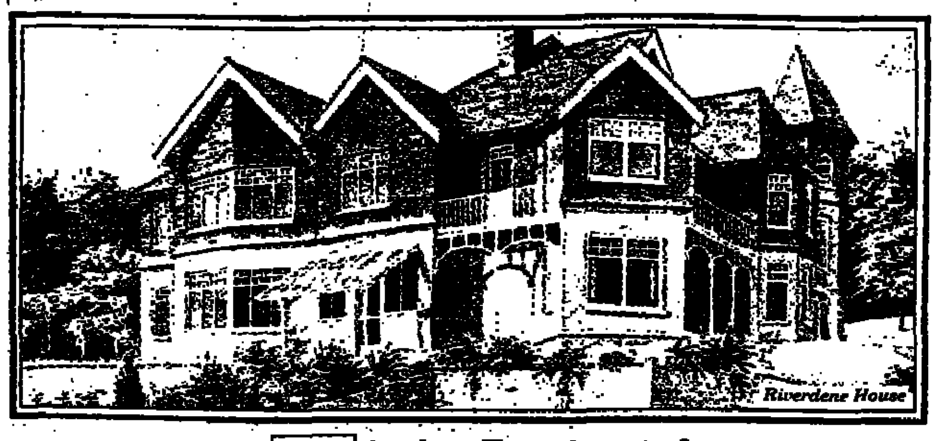

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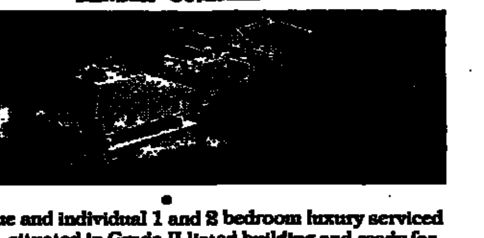

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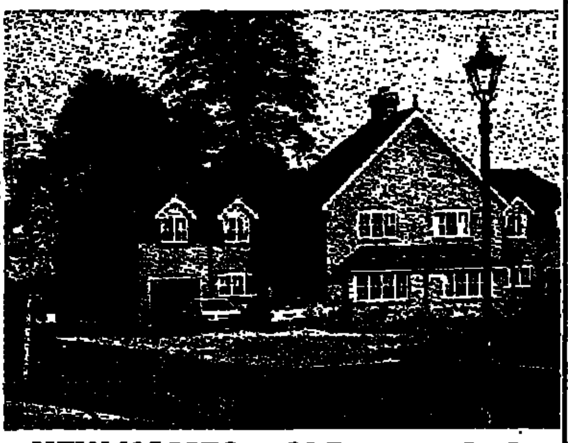

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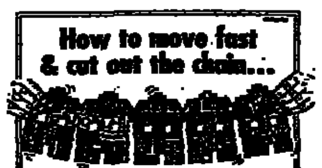

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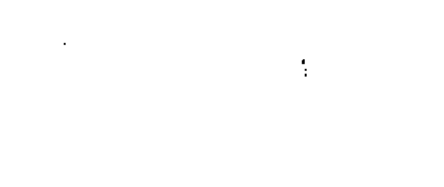

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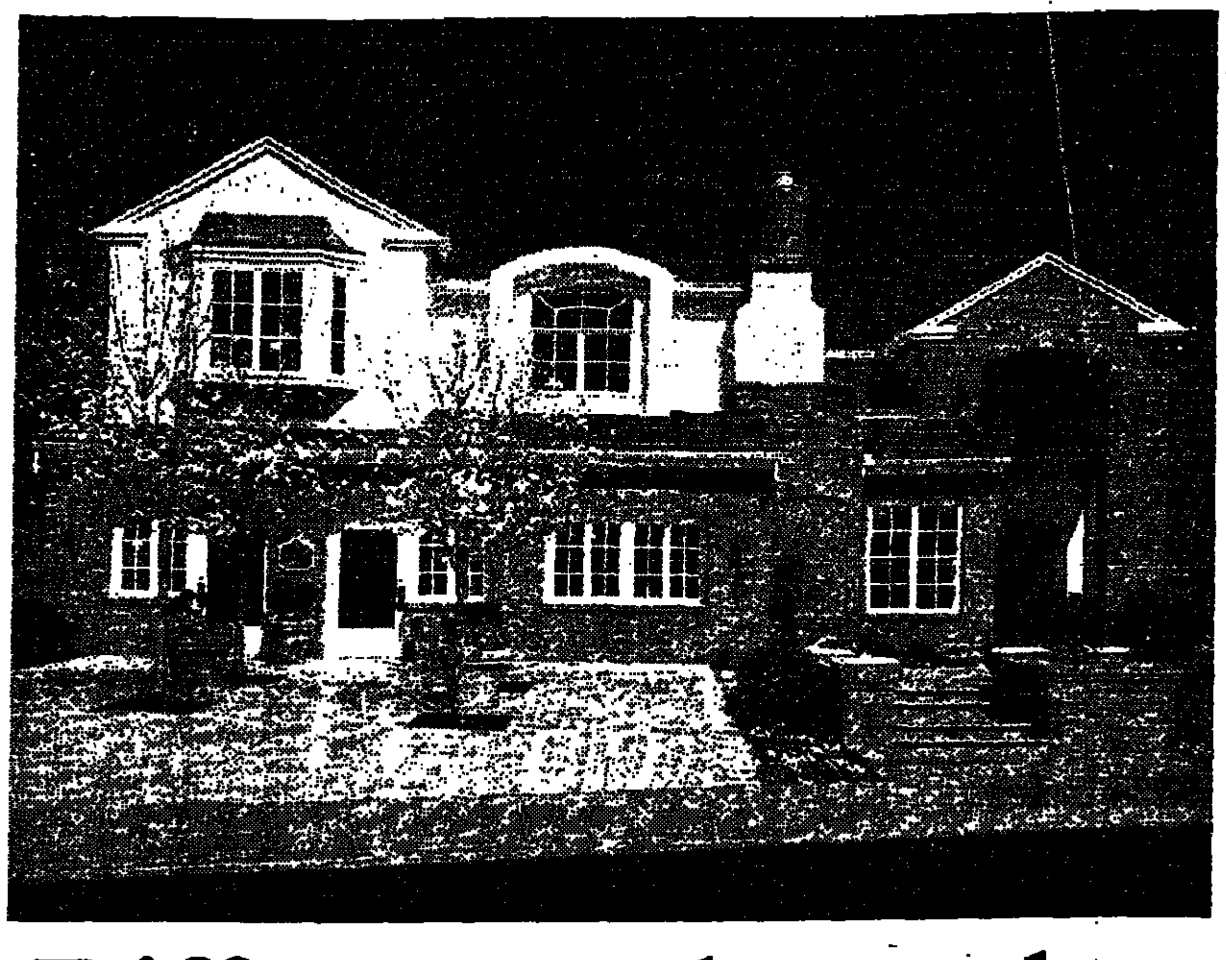

Left and above: exterior and interior of a Barratt property on a 22-home development in southern California where prices range up to $1.5m

Different styles — but the quality is the same

***Audrey Powell** looks at some varying approaches to building*

THE LEISURE-home seeker, looking abroad, might well short-list a selection from newspaper advertisements or from what he sees briefly on holiday. He probably won't bother to look at many options, or weigh up the details, as he would if he were buying a permanent property. But holiday homes today can cost as much as main ones in the provinces, so he would do well to look at a few more aspects of the market first.

Since building "homes in the sun" began in southern Europe on a large scale in the 1960s, a whole range of re-sales has been changing hands. Some of these properties came into being when building standards and planning permissions were sketchier than now, and they really should be viewed with care. The problem is that while too-few buyers of permanent properties in Britain have a full survey, probably fewer than 1 per cent have such a check when buying in unknown territory abroad.

The majority of holiday property-buyers are likely to go for something on a new development, since these are advertised most widely. (One estate agent who handles mostly re-sales suggests, acidly, that this advertising might not be unconnected with the fact that agents get a much higher commission on new property, possibly 15 per cent). Sidestepping that, an increasing number of British companies are building abroad. So, would an intending buyer from the UK do better to buy from one whose name is well known at home rather than a local builder?

Terry Roydon is managing director of Prowting plc and a former president of the House Builders' Federation. Prowting is developing Balaia Village near Albufeira, on Portugal's Algarve.

Roydon accepts that when the British, used to seeing workman-like scaffolding on UK building sites, come upon developments in Spain and Portugal where the upper floors appear to be supported by an assortment of poles, they may have doubts about the whole building process on that site. But, he says, it just happens that builders in that part of the world hold things up in that way. (Another building man points out that metal scaffolding can get too hot to handle in some climates).

The major difference between the British builder and the Spanish or Portuguese is in the style of construction, not the quality of the end result, says Roydon. "Most overseas property is based on a concrete frame system, rather than on a masonry system as in the UK. We put block on block, they use reinforced concrete frame and infill blocks."

Each system had its good and bad points. The Portuguese method allowed a builder to be more innovative but did not give such good sound insulation. In some parts of Spain, contractors were not required to build to frost-resistant standards; that allowed them to do work with rendering and curves that would crack in a British winter.

Then again, a lot of local materials were available cheaply in Spain and Portugal. There was the wonderful range of tiles, and marble for floors was probably no more expensive than putting down a fitted carpet. There was better-quality woodwork and a lot more use of hardwood. Doors, wardrobes and cupboards were solid timber, rather than foam-filled as in Britain.

Roydon says that while construction is different largely because of climatic conditions, he believes the skills his firm has available to it in Portugal are every bit as valuable as those in the UK. Indeed, in Portugal there were more jacks-of-all-trades.

One type of general craftsman, a *pedreiro*, did everything: concrete work, plastering, even tiling bathroom walls. This flexibility was not possible in Britain, where different tradesmen had to be used, but it resulted in a better standard because there were fewer individuals involved.

Mostly, Roydon adds, it would not be appropriate to build British-style when using local architects and designs. But the quality was the same as in the UK, even if things were not done in the same way.

When Barratt began to build in California in 1980, John Swanson (then in charge of that operation but now heading the whole Barratt Group in the UK) realised it had many things to learn. One was how to be prepared for earthquakes (a vital requirement, as recent events have proved, although none of the Barratt developments was in the affected area of northern California).

Buildings, all timber-frame, had literally to be bolted to a concrete pad. Walls had reinforcing panels so that, if there was a tremor, they did not collapse. Today, says Swanson, codes are even stricter, with construction techniques and architectural styles adapted to the risk and designed to avoid errors made in the past.

Another thing to which the firm had to adapt is lightweight construction, minimising the mass of the building. Little or no masonry is used, and masonry fireplaces and chimneys have been replaced with sheet metal chimney flues and plywood-wrapped framing. Masonry veneers have been kept to a minimum. Housing designed to these standards sustained little damage in the recent earthquake compared with some older properties.

There were other strict codes to be followed, with which a local builder would have been familiar. Barratt American found that learning them was not always easy, but now it claims to be one of southern California's leading house-constructors. It produces 1,000 a year, priced from $80,000 to $1.5m.

Of course, one way in which the home-seeker can avoid having to decide on the best nationality for his builder is by choosing an existing house. One firm that handles ancient ruins, modern re-sales and new developments is Babet, based in Godalming, Surrey (tel. 048-682-8525). Director John Esplen says: "If you want a really old property to renovate, they are going to be nice and cheap, relatively speaking, and you are going to have great fun."

On the other hand, he points out, if you bought something built in Spain in 1955 when standards were much lower than now, and it had not been re-wired or re-plumbed, you might land yourself with some fairly heavy spending. But with a resale of, say, only four years old, you should be all right.

Esplen suggests a corner of Spain where his agency can offer just about everything. This is the village of Competa, near Nerja, east of Malaga and 25 minutes' drive inland from the coast.

There is an old farm property in five acres ripe for conversion. It has large rooms and a stable, and views to the sea and mountains, for £26,500.

"Spend as much again and you have a lovely old house," says Esplen. (A full building service is available).

There is also a three-room village house in a narrow lane with bathroom, mains water and electricity for £13,000 — and that includes furniture. A re-sale villa with two double bedrooms, two bathrooms and swimming pool is £55,000.

If you want something new, there is the Las Colmenillas development above the village, where you can have a house built to your own design or use one of the builders' house types. Prices range between £60,000 and £79,500. Babet can also offer new property and re-sales in Portugal, Madeira, Cyprus and France.

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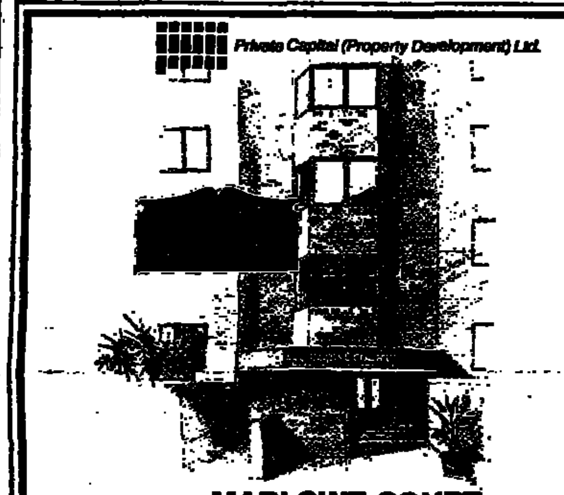

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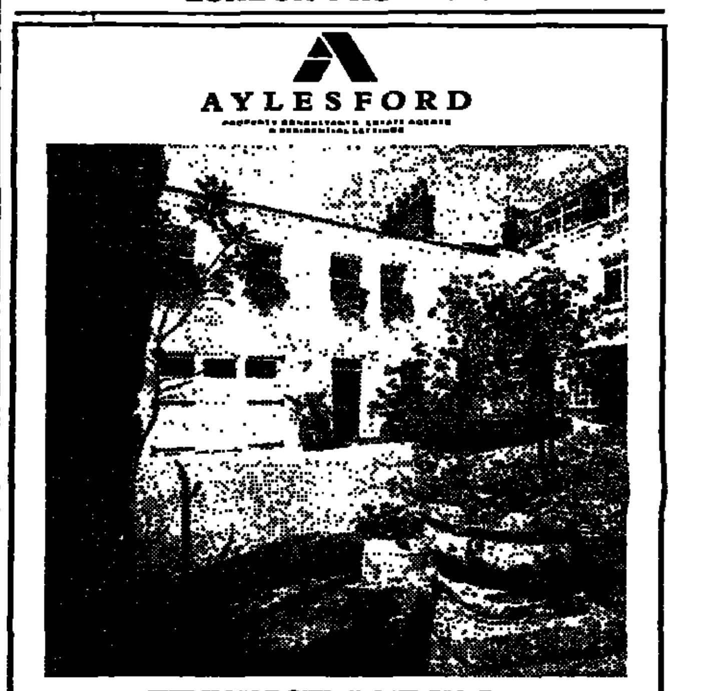

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PROPERTY

A Bovis Retirement Homes' scheme in Bromsgrove, Worcestershire

A shakeout that will benefit older buyers

***John Brennan** on the market in retirement homes*

THE RETIREMENT sector is one part of the residential market where future buyers are likely to benefit from the decline in sales and the consequent shakeout of incompetent developers.

Regional and local demographics may persuade planners to consent to retirement developments but buyers place most emphasis on quality and value for money. So many – often otherwise perfectly efficient – builders jumped on the retirement homes bandwagon in the 1980s that every county now has its share of schemes ostensibly aimed at older buyers but designed primarily as a way of winning higher housing unit densities and utilising sites that would otherwise be tough to justify. It is those non-specialist or thoughtless speculative developments that are gathering dust.

Jim Ditheridge, managing director of Bovis Retirement Homes, says developers often, unwittingly, make incorrect assumptions. The end result, he says, is a product that may not necessarily correspond to buyers' needs, since, "contrary to the typical image, lifestyle in retirement does not mean lonely hours spent knitting or staring at the television." To take one example of this developer-buyer gap, Bovis research suggests that while developers have assumed that residents' lounges and communal facilities are a positive selling point, buyers prefer to entertain in their own homes. As for communal facilities a swimming pool or a library would, it seems, be a better bet than a room for a knitting circle.

That said, even the best-planned retirement schemes are not selling at the pace they were at the beginning of 1988. The older the buyer, the slower the sale, is a generality that has been heavily underscored by the events of the last 18 months. Older homeowners have been reluctant to accept that the resale value of their home today is substantially lower than it might have been last year. They have no reason, therefore, to be in any rush about cashing-in and trading down.

The Government has also provided one excellent additional excuse for inaction. The introduction of the community charge, or poll tax, materially eases the cash pressures on "empty nesters," those owners of larger family homes whose children have grown up and left. Well-intentioned children will soon be unable to point to their parents' unnecessarily hefty rates bill as justification for a move to something more manageable.

As buyers of retirement homes tend to have more time on their hands than most they can shrug off sales pressure and make as exhaustive and leisurely a survey of the options as they fancy. They have plenty of time to distinguish between schemes where the "luxury design" consists of just expensive bath fittings and those where the developers have thought through the needs of prospective buyers and have neither cramped on space, ignored the need for storage, nor assumed that everyone sells their car when they receive a pension book.

Much of the development confusion at this end of the market, and most of the home hunters' disappointments, can be traced back to the use of that baldly generic term "retirement homes." At one end of the scale, buyer profiles of the new generation of UK marina projects, and of the more expensive apartment developments and conversions in London and in the central areas of other major cities, match that of the empty nesters who have released enough cash from their family house to be able to afford a more comfortable, better-located home. These are effectively pre-retirement or retirement properties but no sane developer would attempt to market them on the basis that they were for old people.

At the other end of the range there are sheltered housing schemes. The larger ones are increasingly linked with some degree of care facilities for the frail elderly. Perhaps the neatest definition of these comes from the House Builders' Federation. The federation defines sheltered housing as property which "is purpose built or converted exclusively for sale to elderly people with a package of estate management services which consists of grouped, self-contained accommodation with an emergency alarm system, usually with communal facilities and normally with a resident warden." To put that spectrum of property types into some numerical perspective: as builders have shifted their sales targets from cash-strapped first-time buyers to richer empty nesters, between one quarter and a third of new homes are aimed specifically at people trading down in size and up in quality.

Weekend FT award

The *Weekend FT* has won this year's National Newspaper of the Year Award in the Laing Homes Residential Property Media Awards.

That represents substantially more homes each year than the 40,000 units of sheltered accommodation for sale that have been built in the past decade. Although successive housing needs surveys have confirmed the need for an extra 25,000 purpose-built sheltered housing units a year, the imbalance between the supply of homes for the late middle-aged and those for the really old continues to increase. This year, for example, fewer than 8,000 additional sheltered flats and houses are expected to be completed.

In the early 1990s more than 8m people could be considering a move from a family home. A further 2m will be of an age where they might start considering a final trade down into accommodation with some degree of on-site help.

As an ageing Britain moves to having as large a last-time as a first-time home buying market, the whole business of providing retirement properties must inevitably lose much of its "special" housing status. Indeed, the combination of a more integrated Europe and more competitive telecommunications may well have greater impact on this market than anything that the current crop of British retirement homes specialists can do.

As it becomes possible to a open bank account anywhere within the European Community, and as the paperwork of cross-border pension remittances and of property transfers becomes easier to deal with, older British homeowners are bound to swell the already well-established retirement drift from the European frost belt to the sun belt countries. Wider availability of a competitive range of telephone networked emergency alarm systems means that you can plug into one of the most basic benefits of a "sheltered" care system wherever you can find a phone socket. As these systems become more sophisticated, reluctant older movers are acquiring a strong additional justification to dig in their heels and refuse to fit in with demographer/planners' idealised image of a market where people match their accommodation needs to their number of birthdays.

In efforts to counter all the arguments in favour of inaction, the developers of specialist retirement homes have been coming up with every kind of marketing incentive. Sheltered housing pioneers McCarthy & Stone now offer up to £200 a month for two years as a financing cost subsidy to first time or cash buyers.

The group allows buyers a variation of an equity mortgage arrangement with the chance to defer payments on up to 30 per cent of the purchase cost, and it has part exchange schemes to help would-be buyers who have problems selling their existing property. Developer Village Green is offering a £5,000 price reduction to any buyer who exchanges contracts before Christmas Day – apart from cash discounts and help with "soft" loan finance,

Anglia Secure Homes offers to handle the whole sale process for its would-be customers. Peter Edmondson, its chairman, says:

"You have to mean what you say when you talk of this being an industry built on care. I think that we have seen the first stage, with plenty of developers who haven't thought beyond selling their properties. We'll see the market come down to the committed groups who are not just putting up sheltered units but who are genuinely concerned about the way of life of their clients."

Anglia has already extended its care management operation beyond its own-built schemes and has recognised the impact of distanced care systems by providing a help service at the end of a phone for subscribers to the Lifeline system. He sees Anglia progressively increasing its care facilities as its existing owners age, and come to need extra help.

For those keen to take advantage of the buyers' market, a sound starting point is to invest £2.50 in the recently updated edition of Age Concern's *Buyer's Guide to Sheltered Housing*. The price includes p and p and the book is available from the marketing department, Age Concern England, 60 Pitcairn Road, Mitcham, Surrey.

As for finding out what is currently on offer, the New Homes Marketing Board, 82 New Cavendish street, London W1M 8AD provides a free, regularly updated list of housebuilders offering retirement properties.

For a more active list, Sheltered Housing Services, 8/9 Abbey Parade, North Circular Road, London W5 (tel: 01 997-9313) makes a nominal £3.50 registration charge for home hunters who want to short-circuit the exhaustive business of gathering sales information from dozens of different developers about sheltered housing schemes in particular parts of the country, or in particular price ranges.

Trooping the colours

Robin Lane Fox continues to enjoy his roses

NOVEMBER might seem an odd time to be enjoying roses, but it is an odd winter already and I am enjoying them very much. As always, there are plenty of buds on that indispensable inhabitant of odd corners, the ordinary pink China rose, which will flower until December.

Other varieties are showing buds with a streak of colour and, if you pick them, they will open fully indoors and scent the house for a few days before falling. Best of all, there is a strong show of autumn colour on the most popular of all shrub roses.

If there is a foolproof rose nowadays it is surely a rugosa, which will grow anywhere, even outside factories. The best is an open secret: the white-flowered Blanc Double de Coubert, the leaves of which are just turning to a brilliant yellow after months of continuous flowers in summer.

Some gardeners behave as if familiarity breeds contempt. I do not care if a plant is as common as candytuft so long as it is really good. Even Blanc Double can be used in odd ways, and has an unfamiliar origin . . . but more about that later.

Admittedly, rugosa roses have been all the rage since the mid-1960s. They have multiplied since landscape designers found that they answered their prayers: their thorns will cope with vandals; they do not need to be pruned; they flourish in polluted air, and will flower for most of the summer.

Rugosas can be seen for mile after mile along the central reservations of British and continental motorways, and there are often large clumps in the civic spaces of those local authorities who do not try to bed their way to a prize for Britain in Bloom. This popularity merely reflects the rugosa roses' virtues: so long as architects leave slopes and awkward triangles beside underpasses and new office blocks, rugosas will always have a home.

We can be more imaginative in gardens. Some rugosas will grow admirably in large pots or boxes (don't overlook these as homes for roses). I once saw big bushes of Blanc Double in boxes on a paved terrace, where they scented the entire garden and looked extremely chic. They grow well in big pots in town gardens, where they do not mind semi-shade.

With this in mind, I once laid out a small formal garden for someone who wanted pinks and whites and plenty of scent with autumn colour. We agreed on alternate bushes of Blanc Double and Sarah van Fleet, an upright rugosa rose which is prickly but highly civilised, with silver-pink flowers.

We planted each bush in a heavily-manured Versailles tub, and within three years they had developed as planned, rescuing us from nothing but evergreens in a somewhat shady place.

Most people's idea of a rugosa is either Blanc Double or the maroon-purple Roseraie de l'Hay, the scent and season of which are so generous. In fact, there are many others, as you can discover from Britain's biggest rugosa list which is offered by Peter Beales at Attleborough, Norfolk. I have two unfamiliar favourites and a disappointing experience with Belle Poitevin, which might otherwise tempt you.

Among the single-flowered rugosas, the best one turned up by chance in 1960. Known uncharmingly as Scabrosa, it grows to a height of 6ft and gives off great gusts of scent from its strong, cerise-pink flowers. The flowers continue all summer and then set masses of bright red hips.

Scabrosa's particular virtue is as a rose for a hedge. Bushes planted a yard apart grow quickly into an unusual barrier. If pruned hard in their first two years, they will block out the light which otherwise peeps through a rose hedge's lower reaches.

Without any training, this rugosa makes the sort of hedge that looks right around a vegetable plot or as a garden division. The flowers have a strong colour but the dark green leaves take the edge off them.

My other favourite is Agnes. Landscape architects appear not to have not woken up to its charms, leaving gardeners to pride themselves on the one rugosa which is a rare amber-yellow, fading to off-white with age. The first crop of double flowers is the best, although a few more follow throughout the summer.

Agnes is not awkward, stopping at about 6ft. It looks charming in a big pot but is used in that way only rarely.

Back, though, to Blanc Double and its unfamiliar origin. Other rugosas are good but none is quite so good as this healthy, long-flowering wonder of a white rose bush.

Its secret, I think, lies in its parentage. It was born from a common rugosa which mated with one of my favourites, the neglected rose Sombreuil.

I grow Sombreuil as a climber on east walls, where it runs vigorously and throws up dozens of flat, heavily-petalled white flowers. In very dry or wet weather, the flowers lose their odd shape, a vice which its child did not inherit.

Sombreuil has never been a popular climber but it deserves much better from keen gardeners. Instead, we all know and value one of its casual children.

Behind the star of modern shrub roses stands a parent which is also good and happens, very pleasingly, to be the last climbing rose still in flower in my garden during this sunny prelude to real winter.

Read all about it

Arthur Hellyer peruses some Christmas books

THE GARDENING book most in demand this Christmas will no doubt be *The Royal Horticultural Society Gardeners' Encyclopaedia of Plants and Flowers*, edited by Christopher Brickell (director-general of the society) and published by Dorling Kindersley £25. It was an instant success when published in the autumn and I believe a second imprint will soon be required.

I am not surprised, for it is just the kind of single-volume plant encyclopaedia we have needed for some time – a worthy successor to the *Dictionary of Garden Plants in Colour*, which was prepared for the RHS 20 years ago by Roy Hay and Patrick Synge. It contains about twice as many colour pictures as that well-illustrated volume and lists more than 8,000 plants.

It seems only about a year ago that I was regretting the lack of good specialist gardening books. I complained too soon for, ever since, excellent books by authoritative writers seem to have been arriving in my office at the rate of two or three a month. One such series, illustrated epecially handsomely, has come from Cassell. This includes *Auriculas* by Brenda Hyatt, *Begonias* by Brian Langdon and *Clematis* by Jim Fisk, all at £12.95, and *Magnolias* by J. M. Gardiner at £14.95. The pictures are so beautiful that you do not need to be an expert to appreciate them, and all these authors really know what they are writing about.

From Collins comes *Twentieth Century Roses* by Peter Beales, a sequel to his *Classic Roses* which concentrated on the old varieties. In this new and very large volume, he explores the developments of our own times and attempts to draw the whole complex rose story together. I see from the fly-leaf that this book actually was published last year, but this is the first opportunity I have had to mention it. It is excellent value at £25.

The Illustrated Flora of Britain and Northern Europe costs the same and is published by Hodder & Stoughton. This is an important book (indeed, I know of no exact

equivalent) since it deals with the native flora of Britain, Ireland, Belgium, Holland, West Germany, Denmark, Sweden, Finland, Spitzbergen, the Faroes and Iceland – an unusual combination.

The pictures, and there are hundreds of them, are all by Marjorie Blamey and were awarded a gold medal by the RHS last spring. The text is by Dr Christopher Grey-Wilson of the Royal Botannic Gardens, Kew.

This would be a gift to delight the heart of any enthusiast for wild plants, and a marvellous volume to have in the car when touring in any of the countries it covers.

Several new books are concerned with aspects of garden history. The two I like best are *The Glory of the English Garden*, by Mary Keen (Barrie & Jenkins £25) and *Garden Ornament*, by George Plumtree (Thames and Hudson £25).

By covering design in England from medieval times to the present, Keen set herself a big challenge; but she has done it with expedition and insight. This is a good narrative, easy to follow and full of revealing comment, with fine photography from Clay Perry.

Plumtree's task is even more difficult: tracing the use of ornaments – including ornamental buildings, statues and furniture – in gardens from ancient Egypt to our own times. He has to compete with the brilliant photography of Hugh Palmer, who has discovered so many unfamiliar and exciting viewpoints and perspectives that I found my attention wandering constantly to his pictures.

Finally, I recommend new books from two of our most respected garden writers, Graham Stuart Thomas on *The Rock Garden and its Plants* (Dent £18) and Francis Perry on *Scent in the Garden* (Webb and Bower £18.95) Both are good stories, illustrated lavishly and intriguingly.

Thomas traces mankind's use of ornamental rocks back to old China where they were dragged uncut and unpolished out of lakes and rivers in which restless waters had scooped and hollowed and fretted them into fantastic shapes.

Perry, grappling with the nearly insuperable problems of describing perfumes, recalls that great gardener, E. A. Bowles, who likened the scent of Staphylea colchica to the coconut ices he enjoyed as a child; that of Magnolia stellata to a bean field; and that of the winter heliotrope to almond paste on a fruit cake.

But Bowles liked the scent of cowslips best and thought that if heaven smelt of anything, it would be these.

Consuming interests

Planet Earth: Sarita Kendall discusses eco-tourism

CONSERVATION and tourism are not only compatible but entwined inextricably, according to the new breed of Latin American tour operators who offer the exotic in safety and adventure with comfort. Although scientists are more cautious, they also see eco-tourism as a promising source of green funds and a magnificent educational tool.

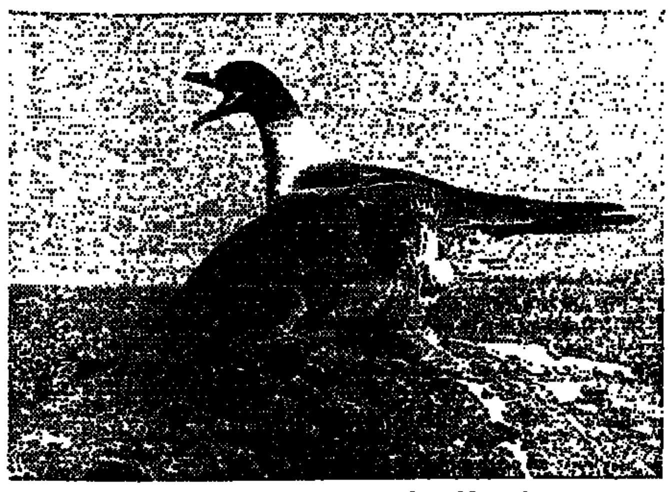
The growing number of people looking for special experiences rather than ordinary holidays coincides with changing approaches to environmental management. "Consumers are becoming much more demanding – tour operators respond as they get more clients like this," says Elizabeth Boo, of the World Wildlife Fund. "Conservationists have traditionally been very purist, but both sides are seeing that there is common ground."

The northern Andean countries – with slices of Amazon rain forest, mountains of archaeological richness and beautiful coastlines – offer an extraordinary range of landscape and wildlife to draw eco-tourists. While violence make Colombia and Peru less attractive, Ecuador and Venezuela have begun to capitalise on these resources, strengthening their national parks' system and developing private facilities. In Costa Rica, Belize and the Cayman Islands, eco-tourist income is significant already.

But before the flow of hikers and nature lovers becomes a torrent, a framework for monitoring the impact of visitors on plants and animals is needed urgently. At a conference on eco-tourism earlier this month in Quito, operators talked of the need for access roads and infrastructure while biologists were concerned mainly with carrying capacity.

The damage done by tourists in the Amazon forest is tiny compared with mining or agriculture. Even so, tour companies should be vetted, guides trained properly, buffer zones established and expeditions limited.

Ecuador's Galapagos islands provide a good example of the problems in linking tourist development to conservation. Scientists at the Charles Darwin research station there help to choose tourist routes and keep tabs on animal populations while a well-publicised



Galapagos scene: a gull crosses paths with an iguana

code of ethics, enforced by naturalist guides, minimises disturbance. However, the research station can only recommend – the government makes policy.

According to Dr Gunther Reck, until recently director of the research station: "If [tourist] numbers are increased, there will have to be more restrictions to protect wildlife, which means people will be less satisfied." The number of visitors is indeed creeping up steadily, and more than 60,000 are likely to visit the islands this year. Scientists fear the government will give way to pressures from boat-owners to raise the figure beyond 80,000. Worse still, there is talk of building hotels on beaches used by sea turtles for nesting.

According to the experts at the Quito conference, eco-tourism will succeed as a conservation strategy only if the local population is involved closely. Yet, neither tour operators nor biologists appear responsive to local needs. Selling crafts to tourists, walking llamas through ruins for photographers' tips, or working as a boatman brings in little to local communities. But Peruvian Indians on the island of Taquile in Lake Titicaca, and the Cuna of Panama's Caribbean coast, have shown that tourism can be a source of funds as well as a force for preserving cultural traditions. In both places, the Indians control the entry of tourists and make their own rules on the basis of communal decisions.

The role of governments in evaluating effects, enforcing control and co-ordinating plans for eco-tourism is crucial. But national parks and other conservation authorities are usually under-financed and weak politically. Even when the comparative advantages of eco-tourism are clear – as in Ecuador's case – it will take time to build up the kind of conservation image which, for example, attracts *eco-tourists* to Costa Rica. Guaranteeing that the funds people contribute, whether in entry fees or donations, will be used well is part of the battle.

Taking the Mediterranean as an example of what not to do, Joseph Garzozi, of Ecuador's private sector tourist foundation, warned the Quito conference against killing the very source of eco-tourism's income. His view – that nature is the product and must be protected – echoed those who believe that one of the best ways to make conservation effective is to make it pay.

Beeches victory

Defenders of Burnham Beeches in South Buckinghamshire won an unexpected victory over county planners this week. After intense lobbying (reported in the *Weekend FT* last Saturday) by local residents and the City of London, which owns the woodland, councillors unanimously rejected a plan to extend gravel extraction on a site just south of the woods.

The gravel company, Summerleaze, is expected to appeal against the decision.

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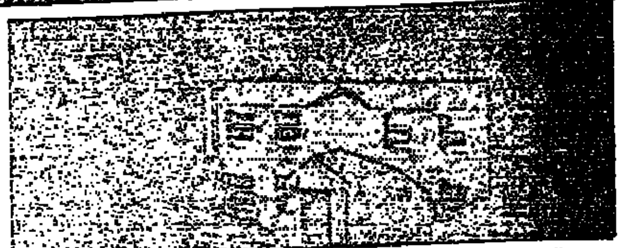

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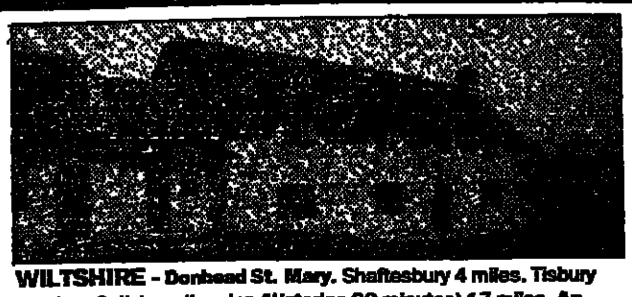

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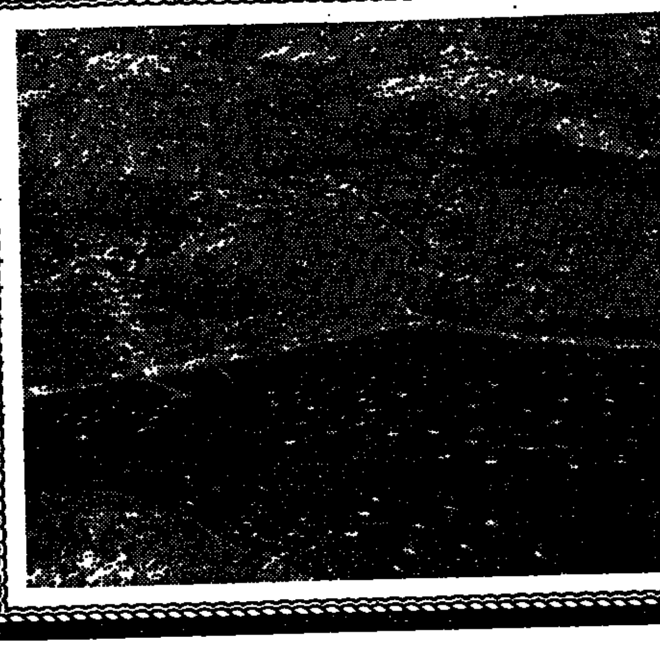

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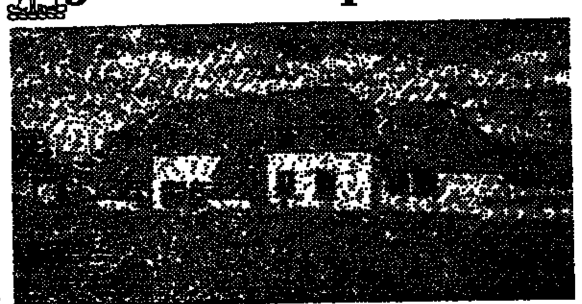

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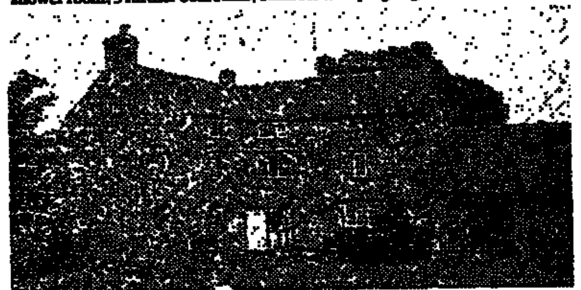

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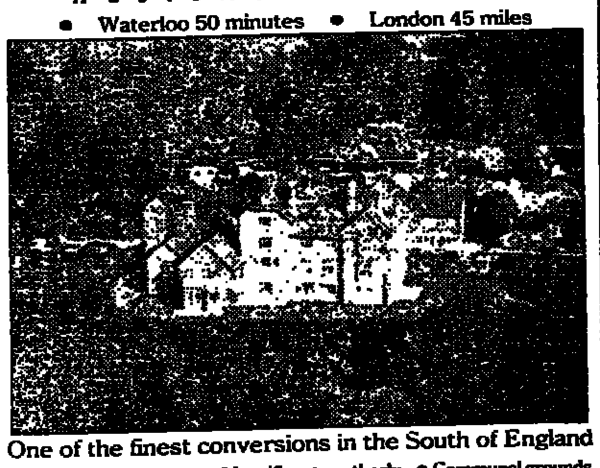

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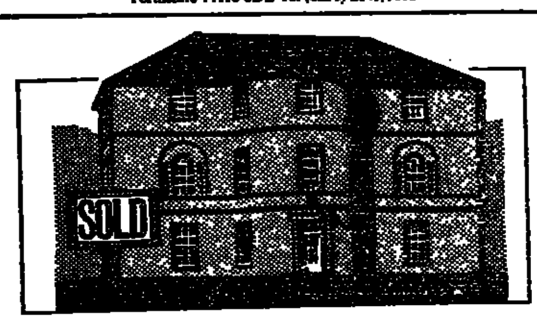

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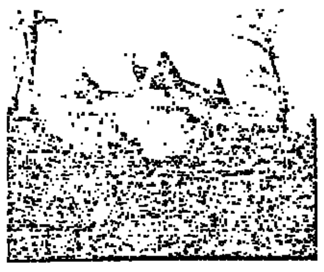

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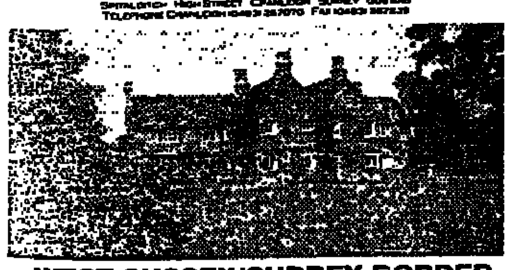

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What a Discovery!

***Stuart Marshall** tests the latest from Land Rover and predicts it will provide a stern British challenge in a market dominated by Japan*

YOU COULD never accuse Land Rover Ltd of rushing out new models with unseemly haste. The original vehicle appeared more than 40 years ago and it was 20 before its upper-class offspring, the Range Rover, came along. Now, another 20 years later, the Land Rover *ordinaire* and *premier cru* Range Rover are joined by the Discovery.

Land Rover and Range Rover have been great successes, although not in a way their manufacturer envisaged. The Discovery, the first really new Land Rover in 20 years, is different. It is going to be a best-seller because it hits the target it was aimed at, fair and square. Let me explain.

The old Rover company thought most Land Rovers would be used by farmers as light tractors, or to drive things like hay elevators and circular saws. The farmers, however, took one look at a machine running on petrol at half-a-crown (12p) a gallon and decided their Ferguson tractors, using paraffin at less than half the price, would do very nicely, thank you.

Driving a Land Rover did, however, prove to be a much better way of getting round muddy fields than walking. The same could be said of deserts, jungles and construction sites. The Land Rover became Britain's best-known export vehicle, used by explorers and armies, field sportsmen and contractors.

The Range Rover was launched in 1970 as a dual-purpose vehicle for farmers — for off-road use during the day and as a saloon car substitute in the evening. But farmers' wives in their finery refused, understandably, to climb into mud-spattered, manure-scented Range Rovers.

So, again, the initial target was missed. But the Range Rover went on to conquer fresh fields, becoming first choice of the hunting, shooting and fishing fraternity.

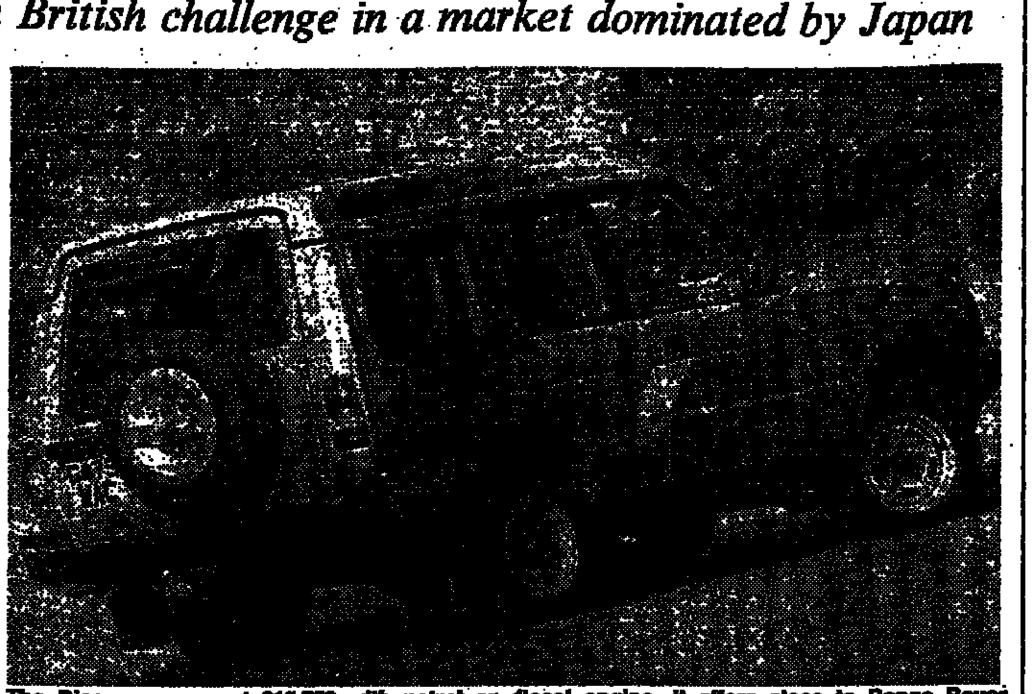
Then, it was adopted by those who didn't actually hunt, shoot or fish but perhaps wished to convey the impression that they did. It became part of the life-style package along with the weekend cottage in darkest Surrey, green wellies and immaculate Barbours.

Despite being a supremely good performer off the road, it became increasingly rare for Range Rovers to leave the tarmac. Now, with its V8 engine enlarged recently to 3.9 litres and costing up to £32,000 (it was £1,995 at its launch), it is seen as another luxury car: an alternative to the company Mercedes, BMW or Jaguar.

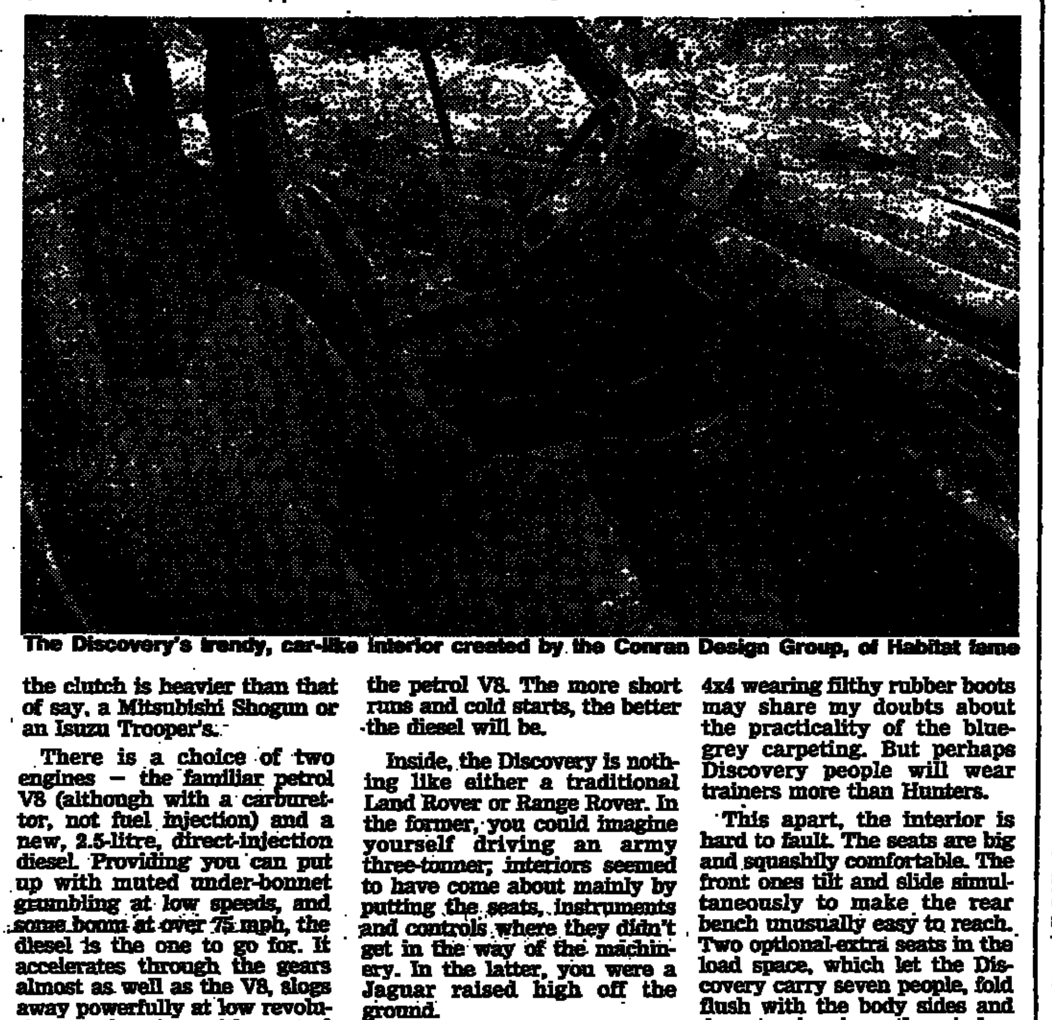
For years, the fast-growing recreational 4x4 market was more or less abandoned to the Japanese. The Range Rover was too expensive, and the Land Rover County station wagon too noisy and uncomfortable to drive any distance on the road. Now, at long last, Land Rover has struck back with the Discovery.

It seems to me a case of third time lucky. In the Discovery, Land Rover Ltd has got everything right, starting with the price. At £15,750, the Discovery — with petrol or diesel engine — costs exactly half as much as the top Vogue SE Range Rover.

On the road, it rides and handles in the Range Rover manner. Off-road, it copes (like the proper Land Rover it is) with mud, very steep slopes, deeply rutted tracks and the like. Power steering is standard. The five-speed gearbox with high and low ranges is smooth and almost silent but the clutch is heavier than that of say, a Mitsubishi Shogun or an Isuzu Trooper's.



The Discovery . . . at £15,750 with petrol or diesel engine, it offers close to Range Rover performance and comfort for little more than the price of a Land Rover County station wagon



The Discovery's trendy, car-like interior created by the Conran Design Group, of Habitat fame

There is a choice of two engines — the familiar petrol V8 (although with a carburettor, not fuel injection) and a new, 2.5-litre, direct-injection diesel. Providing you can put up with muted under-bonnet grumbling at low speeds, and some boom at over 75 mph, the diesel is the one to go for. It accelerates through the gears almost as well as the V8, slogs away powerfully at low revolutions, and cruises with a petrol engine's smoothness.

Its fuel economy is easily the best in its class. The official figures suggest a sensible user will average around 27-28 mpg (10.46-10.08 l/100km) with the diesel, but only 20 mpg with the petrol V8. The more short runs and cold starts, the better the diesel will be.

Inside, the Discovery is nothing like either a traditional Land Rover or Range Rover. In the former, you could imagine yourself driving an army three-tonner; interiors seemed to have come about mainly by putting the seats, instruments and controls where they didn't get in the way of the machinery. In the latter, you were a Jaguar raised high off the ground.

With the Discovery, interior design has - for the first time — been put in the hands of an outside expert, not created in-house, and the Conran Design Group (the Habitat people) is responsible. Those who reckon to climb in and out of a 4x4 wearing filthy rubber boots may share my doubts about the practicality of the blue-grey carpeting. But perhaps Discovery people will wear trainers more than Hunters.

This apart, the interior is hard to fault. The seats are big and squashily comfortable. The front ones tilt and slide simultaneously to make the rear bench unusually easy to reach. Two optional-extra seats in the load space, which let the Discovery carry seven people, fold flush with the body sides and do not poke above the window line.

There are cubby holes galore and non-slip mats for the recesses on top of the fascia, so that whatever you place there stays put as you go round corners. Rear entry is through a side-hinged door. This is more convenient for loading than the Range Rover's horizontally split tailgate, but it means you lose the lunch table-cum-grand-stand tailboard.

Most buyers probably will want the special value pack of extras. This includes electric front windows, central locking, power-adjustable and heated door mirrors, roller-blind load-space cover, roof rack and twin sun hatches and costs £1,050, bringing the total to £16,800.

At that, the Discovery will compete strongly with the Mitsubishi Shoguns, Daihatsu Fourtraks and Isuzu Troopers that have dominated the full-size recreational 4x4 market for so long. And I can see many a second-hand Range Rover buyer deciding to try a new Discovery next time round.

Learning road scents

AROMATHERAPHY is a fringe, if ancient, kind of healing based on essential oils from plants. Inhaling oil of peppermint is said to refresh and uplift, juniper calms nerves, rosemary aids the memory and basil prevents mental fatigue. A lungful or two is just what the doctor ordered before facing the M25 London orbital motorway on a wet, rush-hour Monday.

I am now using a neat device called Drive Alert which provides just that. It plugs into the cigarette lighter — so there is a use for *that* after all — and gets warm, releasing a mix of these aromas as you drive.

Are the claims justified? I really don't know, but it makes the inside of the car smell like a country garden, not a plastics factory.

Drive Alert costs £9.95 by mail order from Discoveries, Harrington Dock, Liverpool X, L70 1AX (tel. 051-708-6868). Refills, needed every four weeks, are £4.95 for a pack of eight.

But make sure your car's cigarette lighter turns off with the ignition. Not all do. And although Drive Alert has a warning light, it could be left on accidentally while you parked at the airport for a few days. That would mean coming home to a flat battery.

Chess

THE EASE of the Soviet Union's victory at the world team championship in Lucerne recalled the era of the 1950s when, in a display of Stalinesque public relations, they toured foreign capitals and defeated their hosts by wide margins. That included an 18½-1½ drubbing of a British team in London, which remains Britain's heaviest defeat.

At Lucerne, the USSR experienced only two individual losses in 36 games, and their gold medals were effectively secure as early as the third round when they crushed the eventual runners-up, Yugoslavia, 3½-1½. Their tally in world team championships and olympics since their debut in 1952 now tallies 19 and one silver in 20 starts.

What could change this remorseless pattern? Realistically, only politics — the break-up of the Soviet Union. Of their players in Lucerne, Belyavsky is a Ukrainian, Ehlvest an Estonian, Vaganian an Armenian. And world champion Gary Kasparov is half-Armenian, although resident in Azerbaijan. Before 1939, the Baltic states were all independant members of the International Chess Federation (Fide). Estonia and Lithuania have both recently tried, unsuccessfully, to have their memberships (which never lapsed formally) restored to full status.

Meanwhile, the Lucerne event provided another instance of the stamina and enthusiasm of Anatoly Karpov, the former world champion. He arrived three days late, still recovering from his hard Pilkington Glass world title semi-final, but made a significant contribution by defeating Nigel Short and winning this week's game, which highlights a much-debated opening system.

White: A. Karpov (USSR).

Black: A. Adorjan (Hungary).

Queen's Indian Defence (Lucerne, 1989).

1 d4 Nf6 2 c4 e6 3 Nf3 b6 4 g3 Ba6 5 b3 Bb4+ 6 Bd2 Be7 7 Bg2 c6 8 O-O d5 9 Bc3 O-O 10 Ne5 Nfd7 11 Nxd7 Nxd7 12 Nd2 Rc8 13 e4 b5 14 Re1 dxe4.

So far, this is well-analysed territory which Karpov has played in world title games against Kasparov both as Black (sixth game, 1984-85) and White (21st game, 1986). White controls more space but Black uses pawn thrusts to break up or blockade the white centre.

In K v K 1986, Kasparov played 14 ... dxc4 15 bxc4 bxc4 16 Qc2 Qc7 17 Nf1 e5 when Black speedily simplified to a drawn endgame. Karpov's readiness to repeat this line suggests he had a prepared improvement, perhaps 17 Bf1 e5 18 Nxc4 exd4 19 Bxd4 with the space-gaining e5 to follow.

15 Bxe4 bxc4 16 bxc4 Nb6 17 e5 Nd5.

Andras Adorjan, a former world title candidate, is an expert on opening play and must have reckoned his position fully equal here. The black knight is centralised firmly, his a6 bishop has an actice diagonal. But the problem for Black is that his game stays cramped and there is no constructive plan, while Karpov builds up by the creeping infiltration in which he specialises.

18 Qc2 g6 19 Nf3 Bf6 20 Ne5 Qc7.

Black cannot simplify, since 20 ... Bxe5 21 dxe5 Nxc3 22 Qxc3 with Rf1-d6 piles up on the weak c pawn.

21 h4 Rfd8 22 Bd2 Bg7 23 Rad1 Ne7.

If Black does nothing, then h5, Kg2 and Rh1 prepares a piece sacrifice at g6.

24 Qc3 Bb5 25 Bc2 Nf5 26 Bf4 Qb7 27 a4 Ba6 28 Be4 Qa8.

A terribly passive square for the powerful queen, but now Karpov's threat was Qf3.

29 h5! g5 30 Bxg5 f6 31 h6! Nxh6.

Black hoped to escape by tactics, but after the natural 31 ... Bh8 32 Qb3 Rd5 33 g4! Ne7 34 Bh4 keeps the advantage.

32 Bxh6 Bxh6 33 Qb3 Re8 34 Ng4 Kg7.

Adorjan's king is brought into the firing line. If Bg7, 35 Bf5 wins a pawn with a decisive advantage.

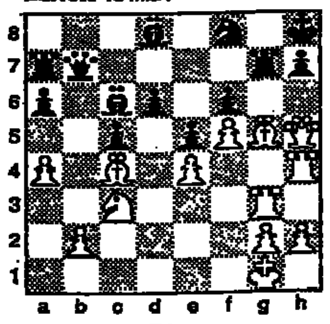
35 Kg2 f5 36 Nxh6 Kxh6 37 Bxf5! exf5 38 Qf7 Resigns.

After Rxe1 39 Rxe1 Qb7 White forces mate by 40 Qf6+ or Rh1+.

PROBLEM No. 798

take in board

BLACK 13 MEN



WHITE 13 MEN

I. Ivanov v. S. Kudrin (US Open, 1989). Two exiled Soviets produced the most brilliant game of the tournament from this diagram where White (to move) has a massive attack. But Black has prepared an in-depth defence on the back rows. How did Ivanov force a win?

Solution, Page XXVII

Leonard Barden

Fishing

Going out on a low note

IT WAS to have been a glorious conclusion to the game fishing season, a piscatorial equivalent to the blaze of triumph with which a romantic symphony ends. The trip was to the borders of Scotland, the purpose to do battle with a few of the silver-fresh salmon which forge their way up the Tweed as autumn begins to think of giving way to winter.

By the end of October — we travelled up on the 30th — most Scottish salmon fishing is over. But on one or two rivers, such as the Tweed and the Nith, it is, for impenetrable fishy reasons, the prime of the season. Given a decent rainfall, the fisherman on the Tweed in November should not know failure.

You will notice that I say "on the Tweed." We, I regret to say, were not on it. Near it, yes; connected with it, yes; but not on it. And herein lay the flaw in my symphonic structure.

We were fishing water on the Teviot, which runs into the Tweed at Kelso, forming with it the famous Junction Pool. Now the Teviot is a very nice river, running through pleasant countryside. But the problem with it is that the fish prefer the Tweed. When they arrive at the confluence, most of them decide against making the left turn towards the beat where I and my companions were plying our rods.

This is ungrateful of the salmon, although it does explain why fishing on the Teviot is to be had at modest cost, while the best of the Tweed is accessible only to an enviably well-connected and well-heeled few. But although the fish in the Teviot are not numerous, those that are there may certainly be caught. I know because I saw it happen, even if — and this is the pathetic whimper with which my symphony ends — it did not happen to any of us.

This failure was very painful and gave rise to emotions which do me little credit. When I looked upstream from the spot where I was flogging away to see a fisherman (a local, I'm sure, with unfair local knowledge) tailing a fresh-run ten-pounder, I felt a surge of pure, shameful envy. When we were told of the great catches on the Junction Pool — more than 100 fish in a few days — that envy became something close to detestation.

This is a very bad thing for a fisherman to admit. We are brothers and sisters of the angle, and should rejoice in the joy of our fellows. It is a sad reflection of the corrupt age in which we live that it is a good deal easier to practise all this virtue when you yourself have a salmon on the bank.

My only consolation is that I did come closest. At ten o'clock on the last of our three days, I was fishing down an attractive, ripply run in the middle of our beat. The water had fallen, and I had exchanged the sinking line for the floater, and my two-inch Comet fly for one of an inch-and-a-quarter. As my fly came round on the far side, the line stopped, and I felt a powerful heave, followed by a tremendous boil on the surface — then, nothing. That was it, the climax of the expedition. I had risen a salmon — and failed to hook it.

The main lesson of our trip was obvious. Of the five of us, none was intimately acquainted with the water, and none is a truly expert salmon angler. Nor we did fish as hard as we might; the warmth, beer, and toasted sandwiches of local pubs proving a potent counter-attraction. With more experience, more accomplishment and more effort, we would probably have had a fish or two. Had we been prepared to pay ten times as much for fishing on the Tweed we would certainly have had fish.

Blessed with consistent rainfall for the first time in months, the back end of the season on the Tweed provided, by most accounts, its customary harvest. But over Scotland as a whole the prolonged and painful drought made it a pretty wretched year, with catches generally well down on those of 1988.

The summer months brought little more than a sustained dirge on the subjects of stagnant rivers and the deadly toll taken by the netsmen at sea. Storms in August did bring relief to some rivers, such as the Oykel, the Cassley, and the Beauly. And September saw some good sport, for instance on the Tay and Dee.

But overall it was no vintage year — a situation thrown into sharp relief by the splendid catches on some Irish rivers. The Bann, the Bush and the Blackwater did pretty well, while the returns on the Moy in County Mayo were nothing short of fabulous. This river produced fish by the thousand, including a catch of 46 in one day to a father and son who were fishing the Ridge Pool.

My mathematics tells me that this was 46 more than we feeble five managed in three days. For the sake of my soul — not to mention my heart — it is as well that I wasn't there to see it.

Tom Fort

Country Notes

Swan-upmanship

IF SUCH a thing were possible, the swan was tiptoeing through the water, its head held high on a thin neck and its body almost submerged. Gentle flicks of its feet sent it forward with hardly a ripple as it tried to become insignificant to the point of invisibility.

The reason for this submissive behaviour was not far behind. A second swan was pursuing under full sail. With head and neck curled back between uplifted wings, it looked like a Viking ship, but it moved through the water like a Greek trireme as alternate thrusts of its broad black webbed feet sent it surging forward as if driven by banks of oarsmen.

With a certain inevitability, it gained on the intruder into its territory until it was so close that the threat was overwhelming and, with considerable effort, the vanquished bird ran pattering over the surface and took to soughing wings.

The mute swan is very territorial during the breeding season, with the male (or cob) becoming especially aggressive and driving away any other swans that stray into its nest area. They are also known to attack other birds (and even man) at this time.

The mute is the most common of the three swans that occur in Britain and is now thriving. Indeed, it is hard to find a lowland body of water of any size which does not have its own resident pair of swans. Although they usually nest as individual pairs in the spring, they often gather in large flocks to feed and roost in the winter.

It was this species, in particular, that suffered in the 1970s and early 1980s from lead poisoning as a result of ingesting lead shot. Sometimes, this was in the form of spent shotgun pellets; at others, split lead weights dropped accidentally on the banks of rivers or lakes by careless fishermen.

Lead lasts a very long time, and such pellets simply sit around waiting to be picked up. The inability of a bird to chew its food means that one of the main components of its digestive system is a muscular bag, filled with small stones, in which food is ground up in preparation for later digestion.

Lead shot — ingested by accident, or picked up deliberately in mistake for a pebble in order to replenish this stone store — is itself broken down by the action of the stones and taken readily into the blood.

Fortunately, once they were made aware of this problem, fishermen showed considerable co-operation by observing a voluntary ban on the use of lead for fishing weights until it was banned legally in 1987.

The results were remarkable for, within three years of the voluntary ban, the number of swans on parts of the Thames increased by more than 50 per cent, while the frequency of lead poison found in an equivalent sized sample of dead swans at autopsy fell from 52 per cent to 24 per cent.

While mute swans tend to be resident throughout the year, Britain's two other swans are migrants, coming south in the winter to escape the harsh weather in Russia and northern Europe.

They are the Bewick's swan and the Whooper swan; and while the mute swan has an orange beak, they both have black and yellow bills. However, the Bewick's swan is a markedly smaller bird than the whooper, which is about the same size as the mute swan.

Probably the most famous Bewick's swans are those that over-winter at the Wildfowl and Wetlands Trust at Slimbridge. Here, the late Sir Peter Scott and his fellow ornithologists discovered that individuals could be identified by their bill patterns.

They also found that family groups of the same birds returned year after year to spend their winters in the comparative safety and comfort of the pools at the trust's headquarters.

Michael J. Woods

Bridge

MY FIRST hand is from the Bermuda Bowl:

N
♠ 10 9
♥ A 9 8 4 2
♦ Q J 3
♣ A 10 7

W
♠ K 8 5 4 2
♥ Q 6 3
♦ 10 9 6
♣ J 4

E
♠ Q 6 3
♥ K 7 5
♦ K 7 5 2
♣ 9 6 5

S
♠ A J 7
♥ J 10
♦ A 8 4
♣ K Q 8 3 2

With North-South vulnerable, North dealt and opened the bidding with one heart. His hand is slightly under proof but the intermediate cards are very good. South replied with two clubs, North rebid two hearts, South said two no-trumps — clearly forcing — and North raised to three.

West opened with the four of spades, which ran to nine, queen and ace. Declarer finessed the knave of hearts, losing to the king, East returned the spade six and West allowed dummy's 10 to win.

Now the Italian declarer cashed king and queen of clubs, a fine discovery play. When both defenders followed twice, he was able to score five clubs, two spades and his two red aces for contract. If the clubs had split 4-1, South could have tried another finesse in hearts, with the ace of clubs giving entry to the table.

In the other room, North passed and South opened with one no-trump. North said two diamonds — a transfer to hearts — South duly said two hearts, North jumped to three no-trumps and all passed.

The play to the first three tricks was the same as in room one, but the American declarer did not think of the neat play in clubs. But with the 3-2 break of clubs, he collected the same nine tricks.

If East turns up with four clubs, South can still get home by running the 10 of hearts and throwing West in with a spade. After making three spades, West must give South his ninth trick by a red suit return.

We turn to the Venice Cup:

N
♠ 2
♥ J 9
♦ J 10 9 8 3
♣ K 9 6 5 2

W
♠ K 8 7 4
♥ A 10
♦ Q 7 5
♣ A J 10 4

E
♠ 10 6
♥ K Q 8 7 5 4 3
♦ A K
♣ 8 3

S
♠ A Q J 9 5 3
♥ 6 2
♦ 6 4 2
♣ Q 7

With North-South vulnerable, East dealt and bid one heart. South over-called wth one spade, West doubled, and that closed the auction.

West opened with the ace of hearts and followed with the 10. East won and returned the six of spades. South won with the ace and played a diamond. This was a mistake — she should have led her spade queen.

East took with her ace, cashed the king and led the eight of clubs. West won with her ace, cashed the diamond queen — on which her partner threw the club three — and switched back to the four of clubs.

East ruffed, and now the king of hearts forced the declarer to ruff high. West, of course, discarded and her eight of spades was promoted. South lost two hearts, three diamonds, one club, one club ruff and two spades — and that was 800 to Great Britain.

In the other room, West did not double one spade but said two no-trumps. East re-bid four hearts and made 12 tricks, but the lead of ace and another spade beats any slam.

E. P. C. Cotter

BOOKS

As Christmas draws near, here are some reviews of a crop of books which could make acceptable presents

Sport

Over the sticks

RACING BOOKS are getting better and better – more detailed, more professional, less ingratiating. Perhaps they are making more money. One that deserves to sell well this winter is Dudley Doust's **221: Peter Scudamore's Record Season** (Hodder & Stoughton, £14.95, 210 pp) in which this excellent sports reporter describes the record-smashing 1988-89 season of champion National Hunt jockey Peter Scudamore.

According to Doust, Scudamore has the looks of a streetwise French pop star. There is said to be no side to him. He has suffered fractures to the skull, arm, leg, hand, fingers, wrists, a dislocated collarbone and numberless concussions, lacerations, strains, sprains, bruises. Even so, he is reckoned, statistically, to have suffered less than his fair share of injuries.

Scudamore is seriously obsessed. "I've got to go for every winner I can get and yet, at the same time, I can't take bad risks with horses I don't know," he told Doust. "The more you win, the more you have to win. It's a drug."

If winning is a drug then Scudamore must be zonked out of his brain, for his astonishing 1988-89 season provided him with 221 winners over the jumps, easily eclipsing the previous record, 149, of Jonjo O'Neill. The horse on which Scudamore smashed O'Neill's 11-year-old record is called Anti Matter. Naturally, Scudamore owes a great deal to trainers Martin Pipe and Charlie Brooks, just two of the characters who weave in and out of this memorable, excellent, kaleidoscopic portrait of a great jumps jockey.

Rather more homely is **Nine Out of Ten** (Lambourn Press, £14.95, 160 pp) by the man who rode the legendary Desert Orchid to victory in the Cheltenham Gold Cup last March (and to eight other victories), Simon Sherwood. This book has a foreword by the ubiquitous John Francome – can no-one shut him up? – but is otherwise good value.

If the thought of 368 pages' worth of reminiscences by journalist, racehorse owner and TV commentator Peter O'Sullevan (Stanley Paul, £14.95) is your idea of a thrill, then get **Calling The Horses.**

Rich people who love racehorses are happy to splurge such improbable sums on their darlings that it is no wonder that the racehorse merits its own artistic genre. What distinguishes **The Racehorse In Twentieth Century Art** by Claude Berry (The Sportsman's Press, £19.95, 128 pages) is the quality of its colour plates and other illustrations by a host of artists, among them Munnings, Skeaping, Blacker, Crawford, Curling, Whitcombe. Peter Curling's action studies, such as *Sprint Finish* or *Maiden Hurdle, Clonmel*, are superb. The text is well informed, too: the author is art correspondent of *The European Racehorse* and a director of the Tryon Gallery.

According to the Cambridge University Press, serious study of the "social phenomenon" of sport in Britain is still in its infancy. If this is true, then CUP certainly gives the ball a mighty boot upfield with **Sport In Britain: A Social History** (edited by Tony Mason, £19.50, 363 pages), in which nine historians look "afresh" at the origins, growth and organisation of the major sports in Britain today. It is rather good, actually. Read this and you will be the sports bore to out-bore all.

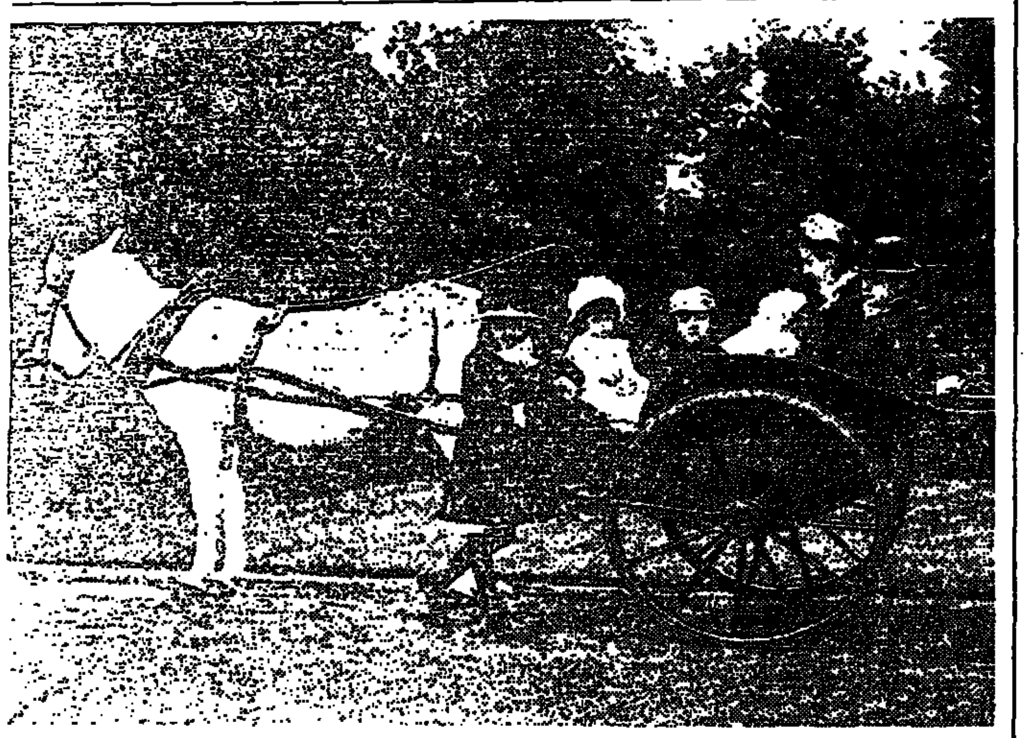
I have always had a soft spot for goalkeepers. They seldom get as much attention as the fancy boys up front but they often know more about soccer. For this reason, **You've Got To Be Crazy** (Weidenfeld & Nicolson, £14.95, 286 pp) by ex-goalie Bob Wilson is likely to rank as one of the best soccer books of the year.

You don't need to be bright to enjoy golf, which is its point, really. If you like golf you will certainly enjoy **Golf's Lighter Side** (edited by Chris Plumridge, Lennard Publishing, £10.95, 152 pages): a selection of entertaining pieces from 100 years of *Golf Illustrated* by writers such as Longhurst, Dobereiner, Cotton and Wanda Morgan.

Historic Wimbledon: Caesar's Camp to Centre Court by Richard Milward (Windrush Press, £14.95, 256 pages) is a studious and delightful history of the London suburb that represents 25 years' research by the president of the Wimbledon Society. The typeface is small and wispy; but not the storyline.

Cricket books still tumble from the presses in great numbers, even in the dead of winter. If you want to glimpse an arcane subject you might enjoy **A Celebration of Lords and Commons Cricket, 1850-1988** (edited by Lord Orr-Ewing, Kingswood Press, £25), which marks the 140th anniversary of parliamentary cricket. I bet you didn't know that Lords and Commons cricket has been graced by three captains of England. "In my day," writes Denis Howell in one chapter, on umpiring, "our best opening bowler was Lt-Col Sir Walter Bromley-Davenport . . .He took his cricket very seriously. He was also quite deaf." What glorious days.

Michael Thompson-Noel



Photograph of the 2nd Lord Leconfield's children from the National Trust's Country House Album

Design

Upstairs and downstairs

THERE IS life yet in the country house book industry. Not least in the 150th anniversary year of Henry Fox Talbot's invention.

The English country house lays claim to being the birthplace of photography since the first photographic negative featured an oriel window at Lacock Abbey, Fox Talbot's home in Wiltshire. In the **National Trust's Country House Album** (Pavilion, £20.00, 224 pages) Christopher Simon Sykes uncovers the relationship between the camera and the country house in the early days of photography.

Sykes has sought out the quirky and informal, focusing on the snaps taken with the revolutionary Kodak camera, introduced in the 1890s, which provide a vivid picture of how a house was lived in, above and below stairs. We find the famously eccentric Philip Yorke in plus fours striding across the lawn at Erdigg on a pair of stilts, and, extraordinarily, a sinewy George Bernard Shaw (a keen amateur, whose photographic archive is one of the discoveries of the book), near nude, adopting the pose of Rodin's "The Thinker".

Anyone intrigued by a life of royal visits, tennis and shooting parties, and nocturnal corridor creeping, might care to dip into Phyllida Barstow's **The English Country House Party** (Equation, £16.95, 224 pages). The stuff of the golden age of Saturdays-to-Mondays and six-weeks stays is culled from contemporary letters, diaries and memoirs.

The Treasures of Childhood by Iona and Robert Opie and Brian Alderson (Pavilion, £20.00, 190 pages) is by no means a kind of English Gentlewoman's Nursery. For over 40 years Iona and the late Peter Opie absorbed themselves in the lore of childhood, amassing an unrivalled collection of 20,000 rare children's books and comics (which were deposited at the Bodleian last year) and a collection of toys and game that encompassed most things from a medieval marble and the earliest known jigsaw to 1930s celluloid false teeth and chopper bikes. A rich selection has been selected and beautifully illustrated for this glorious book. Definitely for the grown-ups.

Back downstairs, and across the Channel, **L'Art de Vivre: Decorative Arts and Design in France 1789-1989** (Thames & Hudson, £35.00, 256 pages) offers a handsome account of the Frenchness of French culture and decorative arts. The same publishing house also brings us Josette Brédif's lavish **Toiles de Jouy: Classic Printed Textiles from France 1760-1843** (184pp, £38.00, 184 pages). This offers the first account of the Oberkampf factory which, in emulating Indian painted and printed cloths, was to raise textile printing to supreme heights. The familiar – and again fashionable – monochrome pastoral, Chinoiserie and neo-Classical scenes, however, were not its sole productions. Brédif has added thousands of exuberant multi-coloured patterns, printed by wood block, on calico, chintz and muslin.

If you need any hints on a historicist redecoration for your house, country or otherwise, Mary Schoeser and Celia Ruffey have compiled what is described as an encyclopaedic source book, **English and American Textiles: 1790 to the present day** (Thames & Hudson, £35.00, 256 pages) which incorporates useful interior illustrations, be they watercolours, prints or photographs from modern manufacturers catalogues. Studio Editions launches a range of well-illustrated and reasonably priced source books on the history of ornament, with Linda Parry's **William Morris and the Arts & Crafts Movement and Paisley Patterns** by Valerie Reilly. Both are £14.95. The Antique Collectors' Club issues volume IV of its Oriental Rugs series: **Turkey**, by Kurt Zipper and Claudia Fritzsche (£29.95 212 pages). This comprehensive tome surveys carpet and rug production throughout the Anatolian Peninsula.

One of the most welcome applied arts books to appear this season is Geoffrey Beard's ***The Work of Grinling Gibbons*** (John Murray, £35.00, 224 pages), the first account of Europe's greatest virtuoso wood carver – rather than sculptor – for 25 years. Beard is cautious on his attributions, peeling away damaging miss-attributions to "our Lysippus", and contributing new scholarship. His concise catalogue is complemented by first-rate black and white photographs.

Recent achievements in the decorative arts are relayed in **Dan Klein's Glass: a contemporary art** (Collins, £30.00, 224 pages), a world-wide survey of innovation in the medium since its renaissance in the US some 25 years ago. Garth Clark monitors developments over 250 years of one distinct form of ceramic art, the teapot. **The Eccentric Teapot** (Aurum Press, £13.95, 120 pages) comes in every conceivable disguise, Kändler monkeys to pure Kitsch.

Susan Moore

Frané Lessac's illustration for Adeiph Kamal's *Bird Who Was An Elephant*

Children

Spoilt for choice

TO THE consternation of his parents, Thomas Carlyle did not learn to speak until he had reached the grand old age of four, when his first words were, to his howling baby brother, "What ails thee Jock?"

Clearly the minds of young people develop at different rates and in different ways. Many children's books indicate age groups, but this can be no more than an approximate guide. One of the safest bets is to go for is the traditional, and some of the books on offer this Christmas will both visually thrill the younger members of the family and entertain the older ones.

Rowan Barnes-Murphy's **Mother Goose** (Hodder & Stoughton, £9.95, 156 pages) falls well into this category. No one could ever grow out of this lovely anthology. We are all brought up on nursery rhymes and here is a feast of the very best, enlivened by the author's illustrations of animals.

Swan Lake (Andersen Press, £7.95, 28 pages) has likewise stood the test of time, and who better to tell us this story than Margot Fonteyn? If you can't accompany the fairy-tale with Chaikovsky's music then Trina Schart Hyman's whimsical illustrations provide the best alternative.

Pinocchio (Collins, £5.95, 26 pages) is a familiar story and Chris McEwan has recreated the tale with a pictorial blow-out of colour and movement to keep any child interested. Hans Christian Andersen's stories have been loved over the years and **The Tinderbox** (Macmillan, £6.95, 30 pages) has been made very accessible by Warwick Hutton's illustrations.

Beauty and the Beast (Simon Schuster, £6.95, 28 pages) has been retold and romantically illustrated by Jan Brett, as has **The Snow Queen** (Collins, £8.95, 63 pages) by Neil Philip. This mysterious seasonal fairy-tale has been illustrated by Sally Holmes.

And what better idea is there than to give a seasonal book at Christmas? Here we are spoilt for choice, but fans of Boris will be pleased to hear that this very popular character has appeared in a fifth book called **Bad Boris's Christmas** (Hutchinson, £4.95, 24 pages). This book is bursting with Christmas cheer and spirit and is a must for any child who still believes in Father Christmas.

Graces for Children (Collins, £2.95, 28 pages) by Elizabeth Laird is a book of love and thanks and might encourage children to think of others at Christmas time. Useful too are Joyce McAleer's abridged version of the **Christmas Story** (Collins, 90p, 30 pages), which has been successful in capturing the wonderment of the occasion, and **Christmas Carols** (Collins, 90p, 32 pages), a collection of 14 carols accompanied by charming illustrations. **The Christmas Stockings** (Collins, £5.95, 18 pages) by Mathew Price is yet another book on the same theme but here you can also play with pop-up doors – the book is really an Advent calender within a hard cover.

There are many such hard-backed novelties on the market and most of them dispense with words and resort to gimmicks to keep the children amused. The **Who Sees You** series (Collins, £5.95, 12 pages) has few words but the pop up pages are full of surprises for the very young. **When The Wild Pirates Go Sailing** (Collins, £5.95, 10 pages) is a triangular book (try that one on your bookshelf) full of sea animals which leap out of the pages. Did you know that an ant-eater can eat 30,000 ants in one day? Well, you too can learn many such fascinating facts by playing with the flaps in Sue Cassin's and David Smith's three new books – **About Your Body, About Dinosaurs and About Animals** (Collins, £4.95, 10 pages).

And if it is facts you want to give your child at Christmas then there are several books which will both inform and entertain. Robin Page's **How The Heron Got Long Legs and How The Fox Got Its Pointed Nose** (Bird's Farm Books, £3.95, 30 pages) combine a natural history lesson with a charming tale. An older child might enjoy **War Boy** (Pavilion Books, £9.99, 92 pages); Michael Foreman recalls the 1940s and the horrors of war that he endured as a child.

This author is an illustrator of some repute, as is Cliff Wright, a watercolourist who took a gamble when he conceived a wordless picture book. **When The World Sleeps** (Hutchinson, £5.95, 24 pages) is his first, a beautiful collection of watercolour illustrations. Leo Lionni's **Tillie and the Wall** (Andersen Press, £6.95, 30 pages) is one of the best illustrated books around this Christmas. His bold collages tell a modern fable. But another special treat has to be Aleph Kamal's **The Bird Who Was an Elephant** (Cambridge University Press, £6.95, 32 pages). Children with a wandering spirit will love this delightful picture book about India with paintings by Frané Lessac.

For older children embarking on their first novel, **The New Boy** (Hutchinson, £7.95, 264 pages) is fully convincing. Ruth Thomas won the Guardian Children's Fiction Prize in 1988 and her standard of writing is high. There is a lot of action in this story about Donovan, a new boy in class 4E. Donovan is both beautiful and brooding, but at times horrible and mean. He was always the cause of trouble in the class but Amy wanted to like him and to understand him. It is grown-up subject matter.

Lucinda de la Rue

NEXT WEEK: My Book of the Year and Literary competitions

Music

Brandy of the damned

WORDS ABOUT MUSIC
edited by John Amis and Michael Rose
Faber & Faber £14.99, 440 pages

IN MAKING a collection of writing about music and musicians, any anthologist must feel an almost irresistible temptation to make abundant use of Berlioz and Shaw, surely the two most entertaining and perceptive authors in the field. Amis and Rose, happily, have not resisted that temptation entirely, so the interested reader can again enjoy here Shaw's repeated, outrageous assaults on Brahms (especially on the German Requiem), as well as Berlioz's tart descriptions of Cherubini and Habeneck.

But even the most musical reader will encounter some delightful surprises. How many, for example, will know the now almost-forgotten American humorous writer George Ade ("The music teacher came twice each week to bridge the awful gap between Dorothy and Chopin")? And how many will know that H.L. Mencken, who had opinions on just about everything, even had an opinion on the still hotly-debated question of opera in translation? ("Opera in English is, in the main, about as sensible as baseball in Italian.")

But though this generous anthology has plenty of entertaining pages – some will make you laugh out loud – it also has a more serious aspect; and many of the inclusions are deeply moving, such as the familiar descriptions of Chaikovsky seen shortly before his death by the boy Stravinsky or Arrigo Boito's letter to Camille Bellaigue giving an account of the death of Verdi.

If some of the inclusions in the anthology are familiar, indeed beloved (and, obviously, none the less welcome for that), many come from far more obscure sources and cast new, warm light on favourite musicians. Anna Lvovna Brodsky, wife of the artist who first performed Chaikovsky's violin concerto, left a charming and perceptive record of the once-in-a-lifetime encounter of Chaikovsky, Brahms, and Grieg, three profoundly different and not entirely compatible geniuses.

"Nina Grieg was seated between Brahms and Chaikovsky, but we had only been a few minutes at the table when she started from her seat exclaiming: 'I cannot sit between these two. It makes me feel so nervous.'" Her place was taken by the amiable Grieg, who did not even mind Brahms's eating up all the strawberry jam. Years later, Chaikovsky wrote in his diary: "Played over the music of that scoundrel Brahms. What a giftless bastard! It irritated me that this self-conscious mediocrity should be recognised as a genius. In comparison with him, Raff was a giant, not to mention Rubinstein, a much bigger and more vital personality. And Brahms is so chaotic, so dry and meaningless!"

Obviously, the anthologists are gluttonous readers also of poetry and fiction, and there are splendid passages quoted from verse (a sly poke at Tennyson's *The Brook*) and from novels, including Flaubert's famous description of Emma Bovary's visit to the opera and Nancy Mitford's tale of Uncle Matthew's misguided passion for Galli-Curci.

This book was probably not intended to be read from cover to cover (though it is laid out in an orderly and logical fashion); it is meant for browsing. Do not, however, pick it up when you have a limited amount of time for reading: the volume is addictive. You will miss engagements, fail to hear the telephone or the doorbell, because your head will at once be full of sounds unheard until you are drunk on imagined music. For, after all, as Shaw (of course) says: "Music is the brandy of the damned."

William Weaver

Cinema

Capers behind the camera

A BRITISH PICTURE
by Ken Russell
Heinemann £14.95, 294 pages

SCORSESE ON SCORSESE
edited by David Thompson and Ian Christie
Faber £12.99, 172 pages

DOUBLE VISION
Andrzej Wajda
Faber £12.99, 136 pages

EMOTION PICTURES
by Wim Wenders
Faber £12.99, 148 pages

IN A Christmas season ripe with film directors putting pen to paper rather than eye to camera, the tangiest fruit on offer is Ken Russell's *A British Picture*. It had to come.

This is the memoir of British cinema's terrible infant: the man who leaped fully-unclothed onto our movie screens 20 years ago *(Women In Love)* and is still capering insanely through English culture. Between the Lawrentian poles of his film career – *The Rainbow* opened in Britain recently – Russell has had a remarkable life. What film-maker ever sustained so many bruises from so many brickbats, or showed so much flair for bouncing back regardless?

Russell's merrily uncouth spirit is clear throughout this book. Why film *The Rainbow?* Well, says Russell, why not. It has got "nude wrestling . . . stampeding animals . . . all that lovely scenery and the usual horny miners." No nonsense about great literature from our Ken: indeed no artistic reverence here or elsewhere. Casting his pop musical biopic *Lisztomania*, he recalls his gratitude that Roger Daltrey "was keen to play the randy Hungarian." Either side of that folly surged other Russell specials: movies about a nutty Austrian (Mahler), a gay Russian (Chaikovsky) and a wacky French sculptor (Gandier-Brzezka).

Russell insists he was a "shy and modest" youngster. Nonetheless, after childhood in Southampton, he chirruped his way into BBC TV's Monitor, where his brand of shillelagh surrealism had its finest hour: possibly because programme chief Huw Wheldon insisted he seldom went over the hour. Even at the Beeb, though, a flash shorthand often triumphed over dramatic substance. Extracting a performance from Oliver Reed (Debussy, Rossetti) apparently consisted of Reed looking at Russell before each shot and asking "Moody one, moody two or moody three?"

Russell has been painting by numbers ever since: to cheers from friends and groans from foes. Somehow, though, the white-haired troglodyte of UK cinema still commands a grudging affection. Perhaps anyone who can mis-spell in one book the names of "Stephen" Spielberg, John "Houston" and Roger "Daltry" – as well as record his ill-informed chagrin that the Russell co-directed *Aria* won no prizes at Cannes (as I recall, it was not even entered in the competition) is either a true primitive or the cinematic world's greatest *faux naif*. Pay your money: take your choice.

Where all Russellian art aspires to the condition of illiteracy, Martin Scorsese's cinema is vibrantly (cine-)literate. Witness a sample sentence from *Scorsese On Scorsese*, a new anthology of interview material with the director: "We tried for a combination of *Duel In The Sun* and *Gone With The Wind* in the William Cameron Menzies style of *Invaders From Mars*." And he is only talking about opening shot of *Alice Doesn't Live Here Any More*.

This is a fascinating slim volume. Scorsese is funny when recalling his apprenticeship with B-movie king Roger Corman (a script had to have "nudity every 15 pages"); forgiving on the foibles of actors (on De Niro's weight-gaining stint for *Raging Bull*, "We had to shut down and pay the entire crew for four months while he ate his way round France and Italy"); and right-minded on every movie topic from the need to improve colour stock to the need to push forward the frontiers of tolerance. His last movie, *The Last Temptation Of Christ*, was the film of a brave director who on this book's evidence can argue as keenly as he can assert.

Andrzej Wajda's *Double Vision* and Wim Wenders's *Emotion Pictures* are the thoughts of two film-makers who have each mapped out a unique world of socio-political unease in modern Europe.

Sprinkled with lessons and anecdotes from his own career, Wajda's book is part teach-yourself guide to movie-making, part one man's cry for a more poetic and defiant cinema. "The main problem with political cinema" insists the director of *Ashes And Diamonds* and *Man Of Iron*, "is not whether you accept the meddling of the censors or not. The real problem is how to conceive of a work which will render them inoperative. No one can censor what he cannot understand, what transcends the imagination." Pithy (136 pages) and provocative.

Wenders's book is an album of essays and reviews by the German film-maker, whose far-ranging cinephilia encompasses Ford, Truffaut, Hitchcock, Godard and Lang. The "reviews" sometimes read more like blueprints for dream movies than assessments of real ones. (See his paean to *Bad Day At Black Rock*). But Wenders has a flair for extracting the lonely poetry out of a "humdrum" action movie: a gold-sieving process that in his own films too *(The State Of Things, Paris Texas)* can turn a simple narrative into the revelation of a man's or a country's soul.

Nigel Andrews

Crime

Dick Francis

James Ferguson

Back in form

STRAIGHT
by Dick Francis
Michael Joseph £12.95, 280 pages

AFTER some disappointing performances in recent years, Dick Francis canters back into form. *Straight* is about a Mr Clean, dealer in precious stones and racehorse-owner. His brother – an injured jump jockey – inherits his house, his company, his staff, his mistress, his race-horses, and the mystery of his business dealings prior to his sudden death.

The jockey brother suffers a profound sense of unease and several bangs on the head; but he has little success in clearing up his chaotic legacy until he eventually cracks the secret password of his sibling's microcomputer - electronic gadgetry is as plentiful here as in a credit-card consumer catalogue – after which everything falls into place. While weaving an ingenious web, Francis likes to tweak the reader's conscience by harping on gratuitous misfortune. This tale, in which the race-course is eclipsed by the diamond trade, puts the guilt firmly back on the gingerbread.

Renata Gold

BOOKS

An egotist with a loud hailer

Max Wilkinson finds a Hammer for all seasons

SOME HEROES, like that glorious brigand Francis Drake, seem to elude moral judgements. So also our modern heroes of commerce tend to be celebrated mainly for their animal energy in creating wealth. Unless they are obviously corrupt, it seems churlish, even prurient to start sniffing at their business methods.

The extraordinary history of Armand Hammer, the nonagenarian chairman of Occidental Petroleum is different, however. His achievements crave a moral perspective, if only because he spent so much money and effort polishing his own image.

Hammer the philanthropist; Hammer the plenipotentiary for world peace, associate of Lenin, friend of Gorbachev, collaborator with Deng Xiaoping and bearer of tidings to US presidents; Hammer, the art collector, and the worker for cancer relief; he has been all these things, and all has been assiduously chronicled in the authorised Hammer biography, then in the autobiography, in films about Hammer and a Hammer picture book. So have his remarkable business successes, from his time as a young man running the family pharmaceutical firm to the spectacular progress of Occidental Oil, culminating in major discoveries in the North Sea and the (less profitable) joint venture to mine Chinese coal.

ARMAND HAMMER: THE UNTOLD STORY
by Steve Weinberg
Ebury Press £16.95, 501 pages

For a large part of this century, Armand Hammer has been seen by his admirers as a restless, questing intelligence not only for making money but also for spending it imaginatively, for cementing political goodwill and creating harmony where politicians had singularly failed.

But is this the whole truth ? Steve Weinberg's carefully researched book attempts fill in the gaps had previously escaped Hammer's prodigious memory or which he just didn't care to have advertised. He has produced a highly readable account, in spite of a few perceptible scars in the text left by lawyers' scalpels and some parts which read like negotiated phrasing.

Surprisingly, this tell-all and hint-at-more approach leaves Armand Hammer little diminished. He is what he is. Weinberg shows a man ruthless to those in his way, including former employees, lavish with gifts to those whom he hopes will help him, an egotist with a loud hailer, a showman with breathtaking chutzpah, but also an entrepreneur whose wit, vision and gentleness bound an impressive range of friends and admirers to him.

It is hard to say, by the end of the book whether one likes Armand Hammer or not, partly because Weinberg himself is ambivalent. But whether he is a hero or not, his life is a fascinating tale. It starts with an account of a fairly dodgy family bankruptcy which shows his forbears to have been — well, not the kind of person a creditor wants to meet on a dark night. Then comes the imprisoning of his father (a doctor with deep socialist beliefs, whom Lenin believed was martyred, but who was actually convicted of manslaughter of a patient on whom he was performing an abortion).

Whether or not these difficult beginnings contributed to Armand's drive to succeed, he was at a very early age turning round the family business, while studying medicine and making, inter alia, a fine turn on alcohol-based medicaments during prohibition.

Perhaps the most interesting section in the light of the present upheavals in the Communist bloc is the account of Hammer's quest for adventure — and profit — in Soviet Russia in 1921, when he was only 23. Then, as now, the Russian economy was trussed up with inefficiencies and offered tremendous potential to any capitalist who could gain permission to introduce modern methods. Lenin at that time was more flexible than his successors. He allowed Hammer to revive an asbestos mine in exchange for importing grain and later allowed him to establish a pencil factory based on German technology. The pencils were so superior to the home-made variety that they cleaned up the market, making fair profits for Hammer and performing to service to Russia which is still remembered.

Armand Hammer: hero or not, he has had a fascinating life

This established a pattern of mixed business and political politicking, interspersed with grand gestures which Hammer repeated many times in his long career, particularly when he moved into that most political of all businesses, oil. But before he entered the oil world in 1956, Hammer let no opportunity pass, selling art, barrels of beer and spirits, among many other ventures. Weinberg has discovered lots of interesting detail about this period, some of it far from suitable for a hagiography.

The subsequent story of the rise of Occidental, from the finds in California, then in Latin American and the North Sea is better known. Weinberg's account, based on a large number of interviews as well as archival material is lively and balanced, full of incident and some insights. However, the author has not fully succeeded in that most difficult of biographical arts, dramatising his subject. What does it feel like to *be* Armand Hammer? Where does Machiavelli end and the man of sensitivity and feeling begin? This book provides plenty of evidence but not an answer.

Sane farmer with a sense of humour

No tunnel vision here, says Oliver Walston

BRITISH FARMERS, like peasants the world over, are a taciturn bunch. They become animated only when the subject of conversation encompasses the price of wheat, the character defects of the Minister of Agriculture or the *aprés-ski* life of Klosters.

The origins of this intellectual inertia stem from the farmer's occupational disease: tunnel vision. This malady has many side-effects, the most notable of which is a total lack of curiosity about the world outside the farm gates, and an unshakeable belief that the rules which apply to the rest of society should be suspended for farmers.

In every generation, however, there is a handful of farmers who, thanks to some strange vaccination, are immune from the affliction of tunnel vision. John Cherrington was one such man. In addition to being a working Hampshire farmer, he travelled widely, spoke French, had a sense of humour and was, above all, curious. These characteristics enabled him to look at agriculture both as someone who understood the dirty realities of milking a cow and farrowing a sow, and as a dispassionate observer who realised that 98 per cent of this country's population are not farmers and have no interest in agriculture.

CANDIDLY YOURS...
by John Cherrington
edited by Dan Cherrington
Farming Press Books (30 Princes Street, Ipswich IP1 1RJ) £9.95, 256 pages

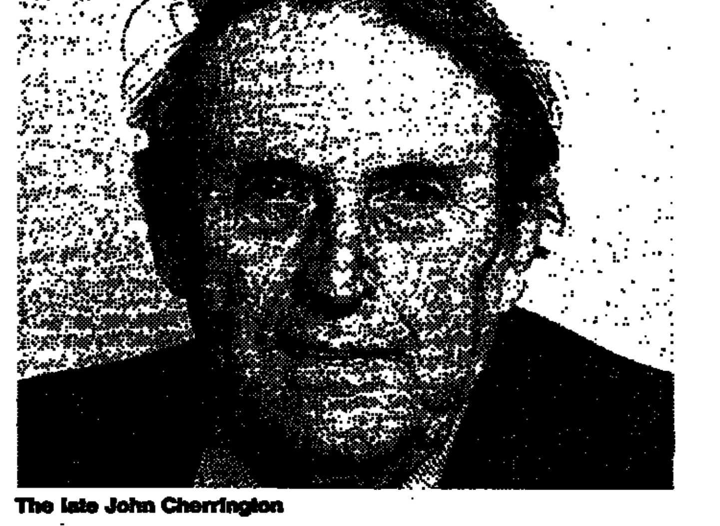
Candidly Yours... is a collection of Cherrington's writings over the last 35 years. He is at his best when he explains the farmer's viewpoint to a non-agricultural audience, as he did for this paper so successfully for many years. Combining self-deprecating humour with an extraordinary clarity of style, he was able both to describe the farming seasons to an urban readership as well as explain the intricacies of agricultural politics in a way which made them comprehensible to his fellow farmers.

Yet in spite — or maybe because — of his journalistic gifts, Cherrington's judgement was often less than perfect. He was an emotional man who occasionally allowed his feelings to over-ride his intellect. He spent much time explaining how the Common Market would inevitably damage British agriculture. In 1960 he wrote in the *Farmer and Stockbreeder*: "Do you wish to see the fertile red lands of Devon and the west reverting to scrub or forest. To see the chalk downs of the south reverting to juniper and downland turf?" This was the fate he predicted if we entered the hated EEC. In fact, as hindsight has made all too clear, far from reverting to scrub or juniper, the land was ploughed and planted with wheat.

On other subjects Cherrington's thoughtful iconoclasm shines through. He took a splendid delight in questioning — and even abusing — his fellow farmers' propensity to moan even while they were making fortunes. In 1980, when British farmers had hit the CAP jackpot, Cherrington attended the NFU Annual General Meeting. "Anyone," he wrote, (forgetting his earlier dire predictions) "could be excused for thinking that the end of farming in this country was just around the corner. Never have I heard such a load of unsubstantiated misery."

Behind Cherrington's original, and often radical, mind lurked a curiously reactionary backwoodsman, some of whose attitudes reflected the Edwardian era into which he was born. "I have never," he wrote in 1983, "yet gone shopping in a modern supermarket", and he was clearly proud of this boast. His views on farmers' wives — they should answer the phone and "have many of the virtues of the manager of a 24-hour cafeteria" — were equally out of tune with the late 20th century.

And yet in spite of the occasional eccentricity, John Cherrington remains the most intelligent, original, articulate and entertaining agricultural writer of his generation. *Candidly Yours...* is effectively a portrait of modern British agriculture. Beginning in the difficult days (for farmers anyway) of the 1960s when the wartime euphoria of Dig For Victory had evaporated, it continues through the unparalleled prosperity of the 1970s, and ends in 1988 when the cornucopia of the Common Agricultural Policy was revealed as an empty shell. Throughout this period John Cherrington was the only man in British farming who kept his political balance, his sanity and his sense of humour.



The late John Cherrington

The headmaster who didn't like games

THOMAS ARNOLD, the most influential headmaster in British history and the progenitor of the modern public school, did not like organised games. So uninterested was he in team sports that he used to hurry away to his holiday home before Rugby School's cricket XI played important end-of-term matches.

Michael McCrum's scholarly re-appraisal of Arnold's spell as headmaster of Rugby between 1828 and 1842 leaves one wondering how British education would have developed if Arnold's real views had been more fully appreciated. For the false belief that Arnold was largely responsible for public school athleticism is just one of the myths highlighted by McCrum.

Arnold was hostile or indifferent to three of the main 19th century public school reforms: the gradual broadening of the curriculum, organised games and the introduction of uniforms. The great reformer's conservative views on the first and most important of these, the curriculum, are exposed in detail by McCrum.

True, Arnold brought a certain modernity into the study of the classics by asking his pupils to compose conversations in Latin or Greek between James Watt and Sir Walter Scott. True, also, he injected his own love of history into the Rugby timetable.

But he was philosophically committed to basing the curriculum on "useless" subjects, like Classics and Divinity, believing that only they could inspire a moral sense in his pupils. Arnold wound down the teaching of the Natural Sciences at Rugby, condemning the sciences as "only fit for earning a livelihood [and] of no educational significance."

McCrum, who has been both a master at Rugby and headmaster of Eton, is hard-pressed to credit Arnold with specific reforms. Arnold appointed housemasters to run the boarding houses; he developed the prefectorial and fagging systems;

THOMAS ARNOLD HEAD MASTER:
A Reassessment
by Michael McCrum
Oxford £7.95, 157 pages

he introduced termly exams for the whole school and sent regular reports on pupils' progress to parents.

But most of these changes were either under way in other schools or built on existing practice. None of them would appear to justify Arnold's pre-eminent reputation. So is that reputation inflated?

McCrum believes that it is not. His case rests on the impact of Arnold as a moral force on Rugby schoolboys. "The State in its highest perfection becomes the Church," Arnold wrote and proceeded to apply the same notion to the organisation of his school.

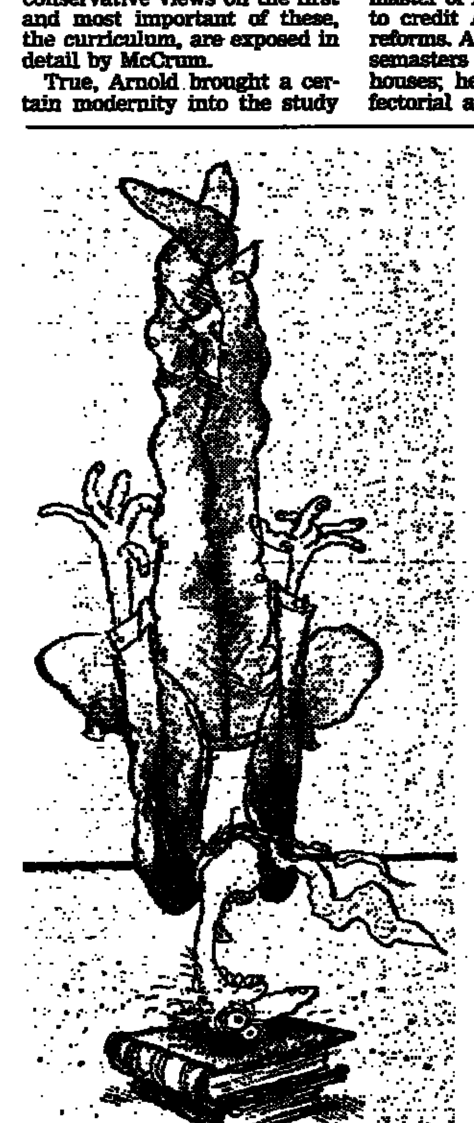
Chapel, Christianity and preaching, all of a peculiarly rigid kind were central to Arnold's regime. Boyish misbehaviour was identified with wickedness. Judgment, punishment and eternal torment were the leitmotifs of Arnold's sermons, for, as he wrote, "a great school is very trying, so much of sin combined with so little of sorrow."

Arnold failed to stamp out bullying, cheating and lying at Rugby through his often brutal and haphazard discipline. But his personal example did help to produce a generation of Christian gentlemen who in their adult life spread Rugby's and Arnold's reputation for high moral tone.

Arnold's approach became widely appreciated after his death through what would now be termed effective public relations: books written by his former pupils, including the often misleading *Tom Brown's Schooldays*, and the colonisation of other public schools by Rugby masters and pupils.

Most important of all, Arnold's growing fame was crucial in establishing the public schools at the apex of English education for the next century. The jury is still out, deliberating on the charge of the divisiveness thereby introduced into the British system, compared with, say, the German, as McCrum finally notes in his interesting, if somewhat dry study.

David Thomas



'Outwardly cracking' — one of the drawings in 'Slightly Foxed — but still desirable' (Souvenir Press, £14.95) in which the artist Ronald Searle offers a glossary on the 'wicked world of Book Collecting.' Such terms as 'sheep,' 'calf,' 'worming' — take on a ferocious new life when they emerge fully drawn from Searle's febrile pen. The standard jargon of the antiquarian booksellers' catalogue — 'blind-tooled,' 'dog-eared,' 'stitching loose' — will never seem the same again. Great fun for all those bibulous bibliophiles. But potential purchasers are advised to make sure that they acquire a 'first edn' and that is 'a good clean copy' with no 'faults, minor' nor 'head, dented.'

A.C.

Gandhi's vision

IT IS remarkable how the reputation of this tiny man, Mohandas Karamchand Gandhi, variously called a half-naked fakir, a saint, a cunning latter-day Machiavelli, a pilgrim, still survives and provokes thought and controversy long after more powerful men are dead and buried with the times they lived in. Gandhi is an elusive man to understand, partly because he lived so long and had such an active career, but also because he was continually changing his mind in constant quest for truth.

The young man who set off from Bombay across the dark ocean to study law in London in 1888 tried at first to be a little brown Englishman. For a time he even wore silk top hot, full morning dress including spats and silver topped cane. He dressed in Western-style shirts with wing collars until almost 1914 when he adopted Indian dress as a mark of sympathy with indentured labourers in South Africa.

All this was a far cry from the bald, thin, toothless later Gandhi whose trademarks were his dhoti (loincloth), sandals, spectacles and stick, whether visiting Buckingham Palace or striding out in protest against oppressive British laws.

When Gandhi left South Africa, Boer leader Smuts declared "The saint has left our shores, I sincerely hope for ever." Such sentiments echoed through the minds of the rulers of the British raj in India with whom he next grappled. E S Montagu, secretary of state for India, reported "He dresses like a coolie, forswears all personal advancement, lives practically on air and is a true visionary."

But this was 1917 long before Gandhi began his Dandi salt march the most famous signal encouraging ordinary Indians to play their part in earning their country's freedom. Gandhi also showed an ability to haggle like the best bazaar-trader with a wrapping of self-righteousness and a kernel of absolute belief that India must have its *Satyagraha*, non-violent protest, was his creed, but he pressed it with adamantine insistence. The combination inspired Wavell, that most underrated Viceroy, to write his brilliant parody of Lewis Carroll's *Jabberwocky* including "The Gandhiji, on wrecking bent, Came tripping down the bhangi ways, and woffled as he went."

At the same time, Gandhi was also constantly involved in his private search for God and for truth, much of which spilled over into his public work. He turned away from western medicine, from western ways completely, from sex, switched to a pure vegetarian diet. He also sought a simple community life, in harmony with nature, which made him a green long before his time.

GANDHI: PRISONER OF HOPE
by Judith M Brown
Yale U P £16.95, 411 pages

It is surprising that there has been no major biography of Gandhi for a long time; Judith Brown's is likely to become the standard work. She does not try to paint a picture of a "plaster saint," but discusses his failures and failings fully. Her epilogue is a brilliant summing-up of Gandhi and his place in modern India. She is exacting in her judgments, both of Gandhi and of the politicians who today run modern India.

For all this there are gaps. Brown herself confesses that, "One problem has been to know where to draw the line." She could have looked more closely at the practicality of Gandhi's vision of village based self-reliance. Today India's burgeoning middle-class is demanding more western-style consumer goodies, but at what price to the ordinary villagers left out of the system and what cost to the environment?

But wasn't Gandhi hopelessly impractical? In dealing with the clash of human personalities, Brown is disappointingly controlled and academic. Her account would have benefited by the inclusion of more "colour." This is especially so in discussing Jinnah, Hindu-Muslim relations, and Independence, which resulted in a fractured India and a moth-eaten Pakistan, and led Gandhi to one of the most important fasts of his life.

His one-man army kept a fragile peace in Bengal, but there was mayhem in Punjab, in which more than a million people died, a bloody finale to the dream of freedom. Gandhi's influence over Congress had waned by then. Later politicians have disregarded him except to recite his name in their litany of saints appealing for votes.

But the challenges of Gandhi, his life and work live on today. As Brown herself concludes: "Fundamentally, he was a man of vision and action, who asked many of the profoundest questions that face human-kind as it struggles to live in community . . . As a man of his time who asked the deepest questions, even though he could not answer them, he became a man for all times and all places."

Kevin Rafferty

Thisaway, thataway and up yonder

Janet Bush hits the saddle to go on a cattle drive in Wyoming

IT WAS a still, clear morning. There was fresh-brewed coffee on the open fire and the sun was beginning to paint the sky gold above the mountains. Glowering clouds threatened in one direction, pale dawn sunshine lit up pockets of hillside in another.

Lois soaked slices of bread in egg and fried them for breakfast, then scavenged in the chuck wagon for her green tin of yellow, stinking udder balm for everyone's sun-swollen lips and blistered chins.

Barney and Tom harried a large, over-excited chestnut horse around a narrow strip of the corral to rid him of some of his energy. Tom had a bad back and was breaking in a new mount. Memories of last night lingered as we gathered around the fire for breakfast: the shooting stars, the canteen of Wild Turkey bourbon, the moonlit chat and the coyotes.

This was the second morning of the cattle drive. More than 20 greenhorns, from North Carolina to Massachusetts, had signed up to drive a herd of 110 cows and five bulls from the lush summer pastures of the Absaroka mountains of northwest Wyoming to winter grazing on the arid plains.

Our host was the High Island Ranch, a 91,000-acre spread devoted to raising cattle but supplementing its income from ranching by taking paying hands in for branding weeks, cattle drives and trail riding. It was a down-and-dirty, saddle-sore working week, exactly the right antidote to the neuroses and defensiveness of city life.

Fresh from the pungent smells and hurry of New York, the sweet scent of sage brush, the clarity of the morning light, the bellowing of cattle and the whoops of the wranglers were almost surreal: a fantasy of the Old West none of us ever thought we could experience.

Drinking down the dregs of our coffee, we strode off to saddle up our horses, wrenching tight the strap through the D-ring and tying up our saddle bags, bursting with tubes of sun screen, wet weather poncho, camera and bottles of water. Just before eight, Barney Sanford, a Wyoming rancher all his life, hollered: "OK, let's head 'em out!" and the calm of the morning was broken.

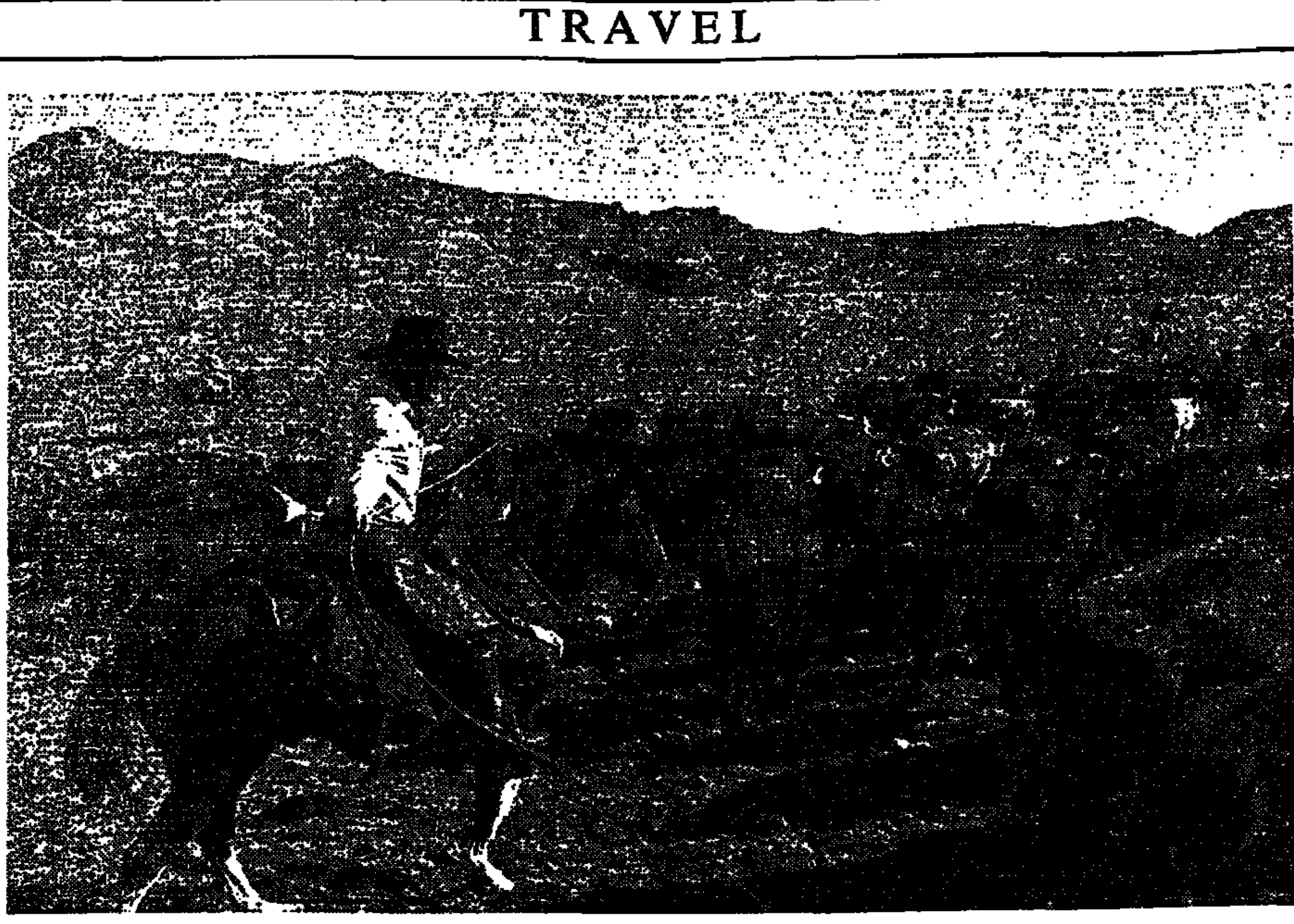
Chief wrangler Gabino, a lithe, crimson-shirted Mexican with extraordinary grace on horseback, hustled the cattle out of the corral. The mooing and bawling, intermittent during the night, crescendoed, and dust clouds kicked up as our horses, fighting for their heads, bullied the cows into line.

Some of us hands took up point position, flanking the herd at the front to make sure they trundled – at an excruciating two miles an hour – in the right direction, the wildly beautiful landscape unfolding with the grandeur of slow motion.

Others preferred the dust and dramatics of the drag position where the cows were intimidated into keeping moving with vicious rein-slapping, lassoos whipped gently around their back legs and a cacophony of "Yip! Yeahh!," deep-throated shouts of "Git on, little doggie" and anything else which would keep those miserable critturs moving.

At the back was wrangler Tom Cooley, a Boston taxi driver who abandoned his old life to fulfil his boyhood dream of becoming a cowboy. East coast or not, Tom was the real thing. Always accompanied by the yapping of his two Australian blue heeler stock dogs, Smokie and Heidi, he was a formidable rider and source of fine sayings. "This knife ain't sharp enough to cut the wings off a dead bee," he once muttered, gouging out encrusted dirt from the hoof of a horse he was about to shoe.

Then there was Gary Anderson, resplendent in red boots and bandanna and wide-brimmed black cowboy hat, a raconteur par excellence. He would start up on one of his tall stories and shouts would echo down the herd: "Cowboy lies! Cowboy lies!"



Home on the range: it could suit jaded business people

Born in nearby Thermopolis, famous for its mineral hot springs and notorious for its outlaw visitors, Butch Cassidy and the Wild Bunch, and its whore house, The Ritz, now closed, Gary was also a poet. Behind the dusty, stinking behinds of the cows or around the camp fire, he recited tales of roping and riding and rattle snakes and cows – always cows.

The first three days were spent getting to know our horses – mine was a 19-year-old bundle of muscle called Cuckleburr, a small spiky ball which gets under horses' saddles and irritates the hell out of them. We trekked over the snow-capped mountains around Rock Creek, demanding riding by anyone's standards, and gathered in High Island's top lodge for steaming hot meals, rowdy games of blackjack and the odd slug of whiskey to keep the aches and pains at bay.

On the next three, we drove the herd nearly 30 miles from fir trees at 9,000 feet through the sagebrush Badlands of high desert country to the cactus plains near Hamilton Dome. We spent 25 hours in the saddle those days, taking it slow to make sure that the cattle did not lose weight on the trip and that the youngest calves could keep up with their mothers.

On the drive, the pace of life drops to day dreaming level. There's a saying in these parts: "There are three directions in Wyoming. Thisaway, thataway and up yonder." Each shimmering, elongated day was punctuated with incident. One afternoon someone spotted a rattlesnake in a clump of sage. After a lot of cautious and futile stamping by Gabino to flush out the snake, Barnie roped the sage brush, wrenching it out of the ground to reveal a tiny rattler. The excitement over, we caught up with the cows.

As we rounded up the herd the first day, first chasing and screaming a lumbering, stubborn grey bull out of the bushes by a stream, Alan Aulsen, selectman (mayor) of Georgetown, Massachusetts, was bucked off his mount, going downhill at speed. Bloodied and concussed, he was met by one of High Island's jeeps and taken down to the emergency room at Thermopolis to be stitched up. He was back in the saddle the next day, complete with three cases of cold beer from the liquor store in town.

It was a warning. This was no luxury dude ranch, kitted out with swimming pool and gentle trail rides for East coasters wanting to experience the West in comfort. Tents and delicious hot meals granted, we all opted for High Island because we wanted something closer to the real thing.

There is a wistfulness about this harsh and beautiful place, hanging on to its pioneering traditions and values in the face of the Exxons, McDonalds and car salesmen which have encroached on the wilderness almost everywhere else.

Sitting in his Stetson and wheelchair in Mac's Bar and Grill in Thermopolis, Jimmy, crippled with rheumatoid arthritis since the age of 16, which was the last time he rode a horse, talks sadly of how things have changed. "The people I grew up with are either dead or gone broke," he says. He blames the Chicago futures market for fixing the price of beef and Ronald Reagan for cutting farm subsidies.

With the price of beef little changed since the 1960s, taking in dudes has been obligatory for many ranches. Gary made it laughingly clear what real cowboys think of it all. One night he gave a recitation of a poem called *The Dude Wrangler* about a cowboy who ended up rounding up tourists instead of horses. His old pardner reluctantly shoots him in the chest, disgusted that he sold out. For us city types, though, it was the nearest we will ever get to capturing the spirit of the Wild West.

One afternoon, Bob, an Italian from Staten Island, New York, who works in communications systems in the foreign exchange market, stood silhouetted on a mountain ridge. Mary Jo, an equity saleswoman with a British brokerage house in New York, shouted up to him: "Hey, Bob, you look like a real cowboy."

"I *feel* like a real cowboy," he replied.

■ *For more information, contact Back of Beyond, 36 East 3rd Street, New York, NY 10003, tel: (212)-979-5778.*

Skiing

Keeping in character

IT IS a self-evident truth that the more popular a ski village becomes, the more the charm that was its original appeal evaporates like mist. The huddle of farmhouses, nestling under the snowclad mountains, the pungent smell from the cowsheds wafting on the tingling air, the black-dressed parishioners summoned by bells to the romanesque church, all this can become overwhelmed by loud-voiced visitors in their even louder skisuits.

The tourists have a split personality: they hanker after traditional bucolic character, yet they are lured by the atmosphere of a ritzy resort. All too often, in consequence, the village concedes defeat and becomes defaced by capacious car parks, brash bars and high-priced hotels.

Austria, for which tourism is its lifeblood, is most caught in this dilemma. It is the leading destination for British skiers and, given that its most desirable asset is the arcadian alpine village, how can it retain that character and yet continue to shovel up the schillings?

One way could be described as a dispersal policy. For snobby hobnobbers who want to patronise renowned resorts, there are the likes of St Anton and Kitzbühel. Then there is an assortment of well-known resorts of varying merits, such as Seefeld, Mayhrhofen, Neiderau and Söll. But the Austrian tourist office likes to emphasise that there are plenty of other skiing areas outside the Tyrol or Salzburg provinces.

Vorarlberg is one. Not a name that trips lightly off every British tongue, it is the most westerly of the nine Austrian provinces, a spur embedded into Switzerland, Liechtenstein and West Germany and with its own Alemanic dialect.

Few of the resorts in Vorarlberg are familiar to British skiers, although there are 45 big enough to have ski schools (and 30 which offer sleigh rides). There are the famed resorts of Lech and its neighbour Zurs, close to the Tyrol border, but perhaps the best known among the British is Brand, on the edge of Switzerland.

A rather straggly village, it lies at the head of a valley hemmed in by mountains – in January only about three hours of sunshine each day reach it. Although it has beds for 2,200 visitors, it has remained a place where people live (well, 650 people do) as well as ski. Sometimes the two roles are combined: a farmer in summer becomes a ski instructor in winter.

Brand's self-styled character is to be "family friendly." Its eight hotels include a Sportshotel, which has its own farm where it makes milk and butter, and which genuinely welcomes children. It has that Austrian combination of health and comfort: its spa's relaxation room encompasses a large log fire.

The slopes themselves lie on plateaux up to 1,920 metres with undemanding, rippling runs and circuits for cross-country skiers. There are 12 lifts and a skibus connects to the hamlet of Burserberg, which has another four lifts, and from where it is possible to ski back to Brand, after an uphill hike through the woods.

About one in five of Brand's visitors have British accents and, if that seems too many, one could suggest another Vorarlberg village, Gargellen, where rarely are heard such discouraging words. It describes itself, with becoming modesty, as "a nice little village with a lovely church and 100 inhabitants."

Its rate of growth has indeed been leisurely. Although for centuries farmers have brought up their cattle for summer grazing – it lies at an altitude of 1,450m – and it had a chapel as early as the 15th century, only in the past 100 years have people lived there all year round. Skiing has been part of the village life for most of this time: the ski school was established as long ago as 1923. Today, the tourist beds are restricted to about 1,000 and there is still only a total of nine lifts and 30km of prepared pistes.

For those used to the expansive areas of expensive resorts, this may seem pocket-sized. But this is not Hicksville (just over the ridge, in another country, lies Klosters). Gargellen was one of the first resorts anywhere to introduce electronic lift passes and its pistes are so well groomed that, last January, they were in top condition even after three weeks without fresh snow. The skiing

"I'M THE LOCAL RUSTIC CHARM CO-ORDINATOR".

area, at a maximum of 2,300m, dominated by the craggy Madrisa mountain, may not satisfy those who yearn for vicious couloirs or endless mogul fields but has much more variety than might be expected from the number of lifts.

In the snug wooden mountain huts, schnapps flows as freely as the good humour (the two are not unrelated). The combination of Austrian hospitality in the family-owned hotels, a tiny village, where within a couple of days most faces are familiar, and the skiing amid scintillating scenery, is enough to bring people back year after year.

It is indeed a dilemma: does one really want to encourage more people to go somewhere so appealing? One must hope that the burgers of Vorarlberg are true to their word and resist all temptation to develop it.

■ *Further information from the Austrian tourist office in London, at 30 St George Street, W1R OAL (tel: 01-629 0461). By air, Brand and Gargellen are most easily reached from Zurich airport, about 2½-3 hours away. Swissair Apex return fare from London (bookable minimum 14 days in advance and stay including a Saturday night) is £106. The region can be reached by train as well as road.*

Roland Adburgham

Travel Business

In the lap of luxury

AMONG THE passengers taking off on flight BA001 from Heathrow Airport at exactly 10:30 this morning will be the first couple taking part in what is probably the ultimate luxury break: a 48-hour weekender to New York flying there and back by Concorde and being pampered in between.

These weekend-breakers will stay at Donald Trump's newly-refurbished Plaza Hotel on Central Park, be escorted around the Big Apple in a stretched limousine, and meet stars from Broadway's latest hit plays.

The only snag is the cost: £4,700 per person – or nearly £100 per hour. This compares with a regular scheduled fare of more than £4,000 between London and New York, and includes two nights in a £300-a-night suite at the Plaza, plus a personal escort around New York.

Apart from New York weekends, BA's weekend break programme includes a package trip on Concorde to Miami, staying at the Turnberry Isle Yacht and Country Club and with the option of a cruise on a private yacht. This costs only £4,500 per person.

British Airways, which launched these fantasy weekends this week, believes that in spite of the present economic uncertainties there is still a market in the UK for Britons willing to spend a lot on their leisure. It is basing its belief on what it describes as the "premium leisure consumer."

"Obviously the recent hike in interest rates may have hit some sectors of consumer spending," says Chris Knowles, group brands manager for BA's Concorde and First Class operations. "But we believe that the top end of the market is less affected by the current economic climate. In fact, many of our high-spending travellers actually do better when interest rates are high, because they have money invested."

BA's real target is the newly-rich entrepreneurs of the 1980s who are inclined to spend their money on a sybaritic lifestyle simply because they are looking for ways of telling the world about their wealth.

BA also believes there is also another market for the sort of luxury travel it is trying to sell: the "patricians," senior company chairman and people with established wealth who regard first class travel as the norm rather than a real luxury.

"We started an experiment a few years ago by providing a weekly Concorde service to Barbados around Christmas," points out Knowles. "We've now found this to be one of our best routes for Concorde during the December to February months it operates, so clearly there is a free-spending market out there willing to pay for luxury travel."

For an aircraft that is 20 years old, Concorde still has remarkable drawing power.

Such is the demand to fly Concorde that a specialist travel company, Goodwood Travel, has over the last five years, virtually cornered the market in Concorde charters. Goodwood specialises in using Concorde to fly to exotic destinations – Cairo and back in a day is a typical trip at £1,500 per person – or lunch in Paris for £585 per person.

BA, however, believes the real leisure market for Concorde is in the up-scale weekends launched this week rather than the rather more down-market day-trips organised by Goodwood.

■ Concorde Special Editions: tel 01-821 4067. Goodwood Travel: 0227-763336.

■■■

HOLIDAYMAKERS planning to wait until the last minute to book next year's summer holiday might be disappointed if they leave it too late. The sharp decline in package tour bookings in recent weeks – blamed on the hike in interest rates – has led major tour operators to sharply reduce capacity for next year. Thomson Holidays this week cut another 500,000 holidays out of its plans for next year – bringing its total of cuts to nearly 1m – while Intasun reduced its total number of holidays on offer last week by 200,000.

Travel companies this week made it clear that the school holidays between Christmas and Easter were already largely booked solid.

David Churchill

Travel Books

Chilly reading

THERE IS a bull market at present in books about snow, mountains and chilly places. **Footloose in the Himalaya** by Mike Harding (Michael Joseph, £16.95) rather trundles along – "We said goodbye to the monks, crossed the terrifying bridge again and set off back towards Purne" – but is redeemed by the author's magnificent photography of the people and mountains of northern India and Nepal.

The Roof of the World (Moorland Publishing, £22.99) is equally impressive, with photographs by Mohamed Amin and Duncan Willetts of the fastnesses of northern Pakistan where the Himalaya, Hindu Kush, Karakoram and Pamir mountains meet so spectacularly. Commentary by Brian Tetley.

Land of the Snow Lion (Cape, £6.95) is a paperback version of Elaine Brook's sensitive and perceptive account of life in Chinese-occupied Tibet.

Skiers must be hoping for more than a dusting of snow this winter. If they get it, a useful and sophisticated guide is **Undiscovered Slopes** (Macdonald Queen Anne Press, £9.95) by Tania Alexander, which concentrates on little-known ski resorts across Europe, from Norway to Turkey. There is also a section on more exotic locations, including Chile, Cyprus, India, Israel, Japan, Korea and Peru.

Anthologies are two a penny in travel publishing, but they help while away a ten-hour flight or the seemingly inevitable delays at Gatwick or Heathrow. **On Tour: The British Traveller in Europe** (Michael O'Mara Books, £14.95), edited by Michael Foss, is an endearing volume that gives us everyone from William Morris, Boswell, Lear and Dickens to V S Pritchett and Patrick Leigh Fermor.

The Way Through the Glens by Hamish MacInnes (Constable, £15.95) celebrates a circular tour of the Scottish Highlands. Not so much a step-by-step guide for "doing" the Highlands as a travel companion.

Invitation to Russia by Yuri Ovsianikov (Conran Octopus, £17.99) is described as the first comprehensive heritage guide to a country now much more accessible to Westerners. Rather good. Updated **Blue Guides** cover Venice and Rome (£8.95 and £12.95 respectively).

Michael Thompson-Noel

Eating Out

Bring on the GB chefs

Nicholas Lander *on the shortage of great British culinary skill*

I WOULD submit that there are, as yet, no great British chefs. Fortunately, there are some great chefs cooking in Great Britain today – Blanc, Koffmann, Ladenis, the Roux and Taruschio among others – but we have yet to produce anyone born in this country to rival these or the best on the Continent.

This is hardly surprising. Our national reluctance to take food and eating seriously, and – even more importantly – not to feel guilty talking about or enjoying it, is only slowly being cast off. Writing about food became respectable only with Elizabeth David in the 1950s, and going out to eat was still a minority pastime in the late 1960s. Our habits need far more time to change than the past 40 years have allowed, as does the process that will eventually produce great chefs.

There is however a growing band of very good chefs up and down the country, and some of them are in Kit Chapman's new but, I believe, misleadingly titled book *Great British Chefs* (Pyramid Books, £19.95), which is chock full of recipes and food photography, too.

Chapman is the proprietor of The Castle Hotel, Taunton, Somerset. Unusually for the catering trade, he has chosen to put back into it more than he has taken out – working hard to turn it into a more professional body, as well as marketing it abroad; and for this he was awarded an MBE in 1989. In the introduction to his book, Chapman charts briefly the evolution of British cooking since the Second World War and then lists the chefs he has selected.

Although he admits it is a personal list, it is flawed. While Ladenis, of Chez Nico, London W1, and Taruschio of The Walnut Tree, near Abergavenny, Gwent, are given honourable mentions, what is not mentioned is that they have spent their entire working lives cooking in Britain and that, therefore, their home is here, rather than Tanzania, where Ladenis was born, or in the Marche of Taruschio's Italy. Even if cooking were a discipline which acknowledged international boundaries, these two chefs have done an extraordinary amount for any eventual great British chef. Ladenis has shown just how a self-taught cook with enough intelligence and determination can open his own restaurant – almost every chef's ambition – while Taruschio has offered advice, comfort and supplies to anyone who would care to ask, a debt Simon Hopkinson of London's Bibendum would happily admit.

Among the chosen 18 chefs there are some surprising inclusions and omissions. Langans offers great fun but hardly "great" food or wine, while McAndrew's cooking in London has been disappointing so far. Notable omissions include Rick Stein, of the Seafood Restaurant, Padstow, Cornwall; Sally Clarke, of Clarkes, Phillip Britten of the Capital Hotel and Rowley Leigh, Kensington Place (all London). Although no one could argue with the inclusion of David Wilson, of the Peat Inn, Fife, that he is the only Scottish chef included is very surprising. Scotland may now offer, per capita, at least as many good chefs as England, but there is no mention of Betty Allen, of Airds Hotel, Port Appin, Strathclyde, Hilary Brown of La Potiniere, Gullane, Lothian, or Mark Salter of Cromlix House, Kinbuck.

If the cooking may not be great, there are other attractions to eating out in Britain. As the range of wines available in this country is wider than any other, a good British restaurant should be able to offer an interesting selection to its customers – try ordering a non-French wine in Paris or Lyons, or a non-Italian wine in Rome or Milan. Despite the money being spent on restaurant interiors here, we are still spared some of the interiors of the top French restaurants, where the chef's wife is too often allowed to try to replicate some 18th century boudoir. And, because neither the food nor the chef are to be worshipped by the British, this does allow the personality and charm of those waiting in the restaurant to come through far more here than in many of the top restaurants abroad.

Chapman does not mention any of these attractions, unfortunately, although he does put some of them into practice in his own restaurant. A dinner last week at The Castle showed just how hard he and his young chef, Gary Rhodes (still only 29), are working not just on new dishes but with more traditional British dishes, such as braised oxtails and boiled leg of mutton with a caper sauce. Ultimately, however, the food was, as in so many of the restaurants in this book, good but not great.

Both the wine list and the menu offer the customer a great deal of information. There are wines from all over the world – we drank a Franken wine from Germany, a Calera Pinot Noir from California and a luscious Petaluma dessert wine from Australia – and the list interestingly cites all the suppliers. So, too, does the menu. On the first of its eight pages it lists, and acknowledges its debt to, suppliers of fish, meat, fruit and vegetables, many of whom are Somerset-based. The cheeseboard on display in the corner of the restaurant – often the quickest way of judging any restaurant – was very enticing.

However, a great chef is more than the sum of his suppliers and a concerned, professional patron, and it is here that Rhodes fails at present, as do some of Chapman's other choices, most notably Richard Smith at Yattendon, Berkshire, and Chris Oakes at Stroud in Gloucestershire. During our meal, there was one particularly good dish – medallions of venison with a wild

Kit Chapman (left) with Gary Rhodes, his chef at The Castle Hotel, Taunton

mushroom mousse – although surprisingly, for a wet November evening, this was the only game dish on offer. The rest of the meal was not as exciting to the palate as to the eye, as though it was being prepared for a keen photographer, rather than a hungry diner.

What most of these chefs still lack is experience and a developed sense of taste. This experience will come with more and more hours cooking at their own kitchen stoves and running their own brigades, the sense of taste from the vital, expensive, time-consuming but ultimately invaluable meals they will eat in other chef's restaurants both here and abroad.

Technical skills, particularly in a country such as ours with such a short gastronomic tradition, are not enough to make a great chef – yet. What is most encouraging is that many of the chefs Chapman has chosen are still in their early 30s, as are many of those he has chosen to omit; and, of course, even ten years ago he would not have been able to find enough chefs to fill half the book. My hope is that, although *Great British Chefs* is not an accurate title today, it is prophetic, and that in 10 to 15 years Chapman and this country will have no trouble in finding chefs who really are great.

The Castle Hotel, Taunton TA1 1NF, Somerset. (Tel: 0823-272671. Fax: 0823-336066). Single room £70, double £118. Set business lunch £12.90, set dinner £28.00, dinner à la carte £40. Major credit cards.

Cookery

Hampers to please

Tired of giving expensive, 'lucky dip' presents? ***Philippa Davenport*** *suggests some alternatives*

ILLUSTRATION: JAMES FERGUSON

THE TROUBLE with anthologies is who selects the ingredients. They tend to be larded with the compiler's favourite snippets of poetry and prose and to be padded with the obvious and the anodyne. The same seems true of commercial Christmas hampers, which more often strike me as more a disappointing bran tub dip than a feast of corkers – and are hideously expensive.

I am in favour of self-assembly Christmas hampers prepared at home, more personal undertakings and more modest in scale. Instead of a wicker basket large enough for the family laundry, I suggest one that might be used for shopping or acting as a plant holder after Christmas. Something even smaller could be just as pleasing, like the basket I now use for our Sunday breakfast croissants.

This was originally given to me by a kind friend who had filled it with pink-shelled lychees piled on a bed of pistacchios. Heaven. Well, heaven for me but anathema to her cleaning lady, I dare say, a lady whom, I am told, accepted politely for years the boxes of chocolates and soaps she was given but was over the moon when presented with a basket containing a bottle of Bailey's Irish Cream and a sextet of kiwi fruit.

This is the bull point, surely. The edible (and/or imbibable) contents of a hamper may be bought or home-made. The one is not necessarily better than the other, sometimes a mix may be best. What really matters is that each and every item included is hand-picked with the tastes and the lifestyle of the recipient in mind.

Instead of the inevitable tins of petticoat tails, chicken breasts in aspic and peaches in brandy, here is a brief list of alternative foods – and a few recipes – among which you may find one or two things likely to tempt the appetites of friends: a hunk of best Parmesan; honey-in-the-comb; packets of dried porcini; wild and basmati rices; pinenuts; Le Puylentils; fat muscatel raisins; dried Hunza apricots; a brace of birds or a raised game pie; a loaf of bread – home made or from Sally Clarke's or some other tip-top baker – partnered with a handsome pâté or a small truckle of cheese; tins of smoked oysters and of sardines; salt cod; speciality teas; Turkish coffee with cardamom for light imbibers; for those who prefer – or need – something stronger, a bottle of gin and some tonic waters plus a few limequats and a tin of cheese straws; a special casserole or two for those who hate to cook, lead busy lives and own a freezer; balsamic and sherry vinegars; olive and pistacchio nut oils;bottles of oyster sauce; soy and saki; a whole salami or saucisse; vacuum packs of Parma ham, coppa and other cured meats; exotic fresh fruits; unusual or unusually good jams, jellies, chutneys, pickles and mustards; a sticky, rich ginger cake and a Dundee cake for teatimers; a selection of biscuits for nibblers - British, continental and home-made, including Miller's Damsel Wheat Wafers and Choco Leibniz by Bahlsen (surely the most chocolatey of chocolate biscuits); English Provender bottles of rose and orange flower water plus packets of varak and chocolate "coffee beans" for keen bakers.

RED PEPPER PRESERVE

Grill some firm, fleshy red peppers until the skins blacken. 3 lb is a sensible amount: it should fit under the grill in one batch and ought to be enough to fill 3 x 1 lb jars. As soon as cool enough to handle, pull off the black papery skins, core and seed the peppers, pat the flesh dry and cut it into thick strips.

Pack the peppers into sterilised jars, adding a bay leaf here and there, some whole toasted and lightly-bruised coriander seeds, a few black peppercorns and slivers of garlic.

Pour on enough good olive oil to immerse the peppers. Stir gently with a round-bladed knife to release any air bubbles and run the blade around the edge of the jar to ensure that a film of oil settles between the peppers and the glass. Top up with a little more oil and seal with screwtop lids.

Storage: Store in the fridge, leaving the peppers for at least one week before using so that flavours blend and develop. Eat within three months of making.

Serving ideas: For a delicious bonne bouche to serve with pre-dinner drinks, or as a midnight feast, brush rounds of French or Italian country bread with oil from the jar, grill, then top with strips of the preserved red peppers – plus anchovy fillets maybe, or slivers of goat's cheese or sprigs of fresh basil. The peppers can also be mixed with prawns or other seafood for quick and easy hors d'oeuvres and salads, and they can be used as a filling for pancakes and omelettes. Any oil remaining in the jar at the end can be used to dress salads or to marinate poultry or fish to be grilled.

GRANOLA

For the young and healthy, or not-so-young and would-be healthy, a jar of this crunchy breakfast cereal might provide a welcome start to the day. My version includes neither sugar nor honey. To make enough to fill one large jar, first mix together in a large bowl 8 oz each wheat flakes and barley flakes, 2 oz each pinhead oatmeal, chopped hazelnuts, pumpkin seeds and sunflower seeds, 1 oz sesame seeds and ½ teaspoon ground cinnamon. Measure 3 fl oz each sunflower oil and water into a jug and whisk vigorously with a fork to emulsify them. Pour the mixture onto the dry ingredients and stir for two minutes. Spread the mixture on to a large baking tray and bake at 375F/190C (gas mark 5) for 40-45 minutes, stirring and turning the ingredients occasionally to encourage even cooking, until the mixture has dried out and is golden. After cooking, let the cereal become cold and crisp then store in an airtight jar.

Storage: Stored in a larder or cool larder cupboard, tightly lidded, granola should keep for a couple of months without going stale.

CHOCOLATE TRUFFLES

These are easy enough for a child to make and likely to go down well as a gift to chocaholics of any age. To make about 30 truffles, break 6 oz best quality plain dessert chocolate into squares and melt it with 1 oz unsalted butter. Away from the heat, stir in another 2 oz butter. Add the very finely grated zest of 1 or 2 oranges. Then blend in 4 tablespoons Cointreau (or brandy, rum or other tot of which the recipient is fond) and 5 oz of sifted icing sugar, a little at a time. Continue beating until the mixture is quite smooth. Cool then refrigerate until nearly set. Using cold damp hands, roll the mixture, a small lump at a time, into neat balls. Mix and sift together on a plate 2 tablespoons each cocoa and chocolate powder. Roll the truffles in the mixture to coat them and chill until set firm.

Storage: Pop the truffles into individual paper cases and pack them into a pretty box or tin. Because they soften and become sticky quite quickly at room temperature, truffles are best stored in the fridge. Eat within five or six days – if you can resist them that long.

PICKLED LEMONS

A condiment like this would probably appeal to Lawrence of Arabia types, retired colonels nostalgic for Delhi Gymkhana days, bedsit students living off take-away curries, and anyone else who relishes spicy foods.

To fill 2 x 1 lb jars you will need 6 medium-small lemons, preferably organically grown or at least unwaxed as everything bar the pips will be eaten.

Wash the whole fruit, top and tail it,slice fairly thinly and remove the pips. Spread the slices in a single layer on a rack lined with kitchen paper, scatter lavishly with salt and leave to drain in a cool place for 48 hours so that the fruit becomes limp and less bitter.

Shake off the liquid that drips readily from the slices but do not pat dry. Sprinkle each piece with a dusting of spices (either pinches of chilli and sweet Hungarian paprika mixed together, or a mixture of toasted and crushed cumin and coriander seeds).

Pack the lemons into sterilised jars, adding a decorative bay leaf here and there. Pour on enough sunflower or safflower oil to immerse the fruit, stir gently to release any trapped air bubbles and top up with a little more oil. Cover with screwtop lids and store in a cold larder for three to four weeks before eating so the fruit soaks up the oil and spices, becomes mellow and soft enough to cut with a fork.

Storage: Stored in a cold larder pickled lemons will improve as the months go by and keep for a year or more.

Serve with Middle Eastern stews and rice dishes, with curries and spiced dishes of all kinds.

More Food on Page XXIV

Wine

Whites are right in Mâcon

Edmund Penning-Rowsell *visits the Bourgogne de Sud*

ALTHOUGH the Mâconnais shares the department of Soane-et-Loire with the Chalonnaise, it is very different wine country: the Bourgogne de Sud. This is evident from the much higher, more attractive hill country, with vineyards often very steep, and the tiled roofs of the stone-built villages that proclaim the south.

Most visitors travelling from Britain are likely to enter the district, which begins at Sennecy-le-Grand, by the RN 6 or the autoroute on their way to Lyons.

With an average output of 300,000 hl (1 hectolitre = 133 bottles), the Mâconnais output is 50 per cent higher than its northern neighbour; two-thirds is of white wine, while the Chalonnaise is three-quarters red.

Nearly all the white wine is made from the Chardonnay grape and it becomes better as one travels down its 50 kilometres. In the northern area it is generally generic Mâcon, red as well as white, rising to the appellation of Mâcon Villages south of Tournus, while it finishes with Pouilly Fuissé and St Véran near the border of the confusingly-named department of the Rhône, where beaujolais is produced (although, in fact, St Amour, Chénas and Moulin-à-Vent are in Saone-et-Loire).

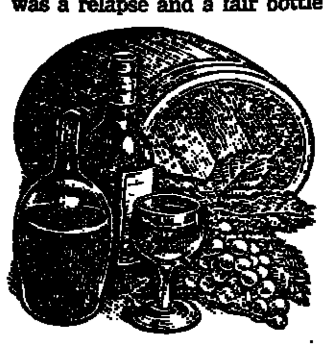
It is very much a co-operative wine district, with 18 of them making two-thirds of the total output, headed by Lugny, Prissé and Vinzelles that are all very well organised for *vente directe*.

The wines are generally much less alcoholic than the white Côte d'Ors, with a minimum for the whites of 11° but those of vineyards with "*climat*" names must be at least 12 and are often higher.

The leading Mâconnais wine is certainly Pouilly-Fuissé, whose 700 ha produce an ample 40,000 hl. It is made in five communes – Pouilly, Fuissé, Solutré, Vergisson and Chaintré. A good deal is made in the co-operatives of Frissé, Vinzelles and Chaintré, much of which is sold in bulk to the Côte d'Or merchants, but about 50 growers market their own wine in bottle.

There are also two curious little sub-districts, Pouilly Vinzelles and Pouilly-Loché which either did not sign up with the others for the *appellation contrôlée* in 1938 or were rejected. They only run to 50 ha and 25 ha apiece and make 2,700 hl and 1,200 hl respectively. Vinzelles, nearly all made in its co-op, is softer than Loché, but private growers include Domaine Mathias and Thibert. The best private Loché grower is the Domaine St Philibert, owned by Philippe Bérard, proprietor in the leading vineyard of Les Mûres; there is also Ch de Loché.

Some years ago, Pouilly Fuissé acquired a reputation for overpricing: it was as expensive as the generally superior Meursault. This was largely because it became the one white burgundy whose name was familiar to not relatively inexperienced American drinkers. As a result, it became discredited temporarily among the more knowledgeable European wine amateurs, but there was a relapse and a fair bottle



now costs around £7 to £8 – reasonable for Chardonnay of class.

However, the outstanding one, Ch Fuissé, costs a good deal more, on a level with some Côte de Beaune *premiers crus*. Its proprietor, Jacques Vincent, says that it owes its special character to a blend of Pouilly, which contributes elegance and delicacy, while Fuissé gives the structure and strength. But there is more to it than that.

The steep vineyard behind the château contains very old vines, and fermentation is made in carefully-selected new oak from varying sources. Apart from a basic, but excellent, Cuvée Première and a standard Ch Fuissé of distinction, about 1,000 cases a year are marketed as Vieilles Vignes and may be found on British lists at around £16 to £18.The '88s I sampled recently at the château all had great depth of bouquet and flavour. These are wines to keep: a last bottle of Vieilles Vignes '78 opened a few weeks ago was still in splendid condition.

Adjoining Pouilly Fuissé is the appellation of St Véran, created in 1971 in six villages – two to the north (Devayé and Prissé) and four to the south (Leynes, Chasselas, Chanes and St. Verand). The wines of the former used to be sold as Mâcon Villages and the latter as Beaujolais Blanc, now little made.

To me, St Véran, produced by about 200 growers, is often a rather dull wine, lacking freshness, but then 70 per cent of the average 25,000 hl made is sold in bulk to the trade and only a minority markets its own wines. The northern village wines develop earlier and are rounder than the others, although, as everywhere in Burgundy, everything depends on the individual grower.

M Vincent has a sizeable vineyard in Davayé, and other good wines I tasted included those of Robert Martin, Domaine de Valenges (Michel Paquet) from Davayé and Ch de Leynes (Jean Bernard) from Leynes.

St Véran keeps less long than Pouilly-Fuissé, is at its best from four to six years, but, like most fine white wines, is usually drunk too young. The UK is its biggest export market, with an ex-cellars price about two-thirds of Pouilly Fuissé. In both cases it is well worth buying grower-bottled wines.

Lower on the AC list are 26 communes, including those already described, which, subject to a minimum of 11°, are entitled to add their village names to the label. Most will come from the co-op, but the best known is Viré, where five private producers bottle their own wine. The two leaders are Domaine Roally (Henri Goyard), with stainless steel fermentation vats, and the more traditional Clos du Chapitre (Dépagneux). Both make full-flavoured, honey-bouqueted wines that are occasionally available in Britain.

Only 20 per cent of Mâcon whites bear communal appellations, but the Lygny co-operative, the biggest in the district, produces excellent Mâcon-Blanc, of which the best known in the UK is a monopoly of Louis Latour – Mâcon Genevières, excellent value at about £6.50.Other cuvées are also sold to Bouchard Père et Fils and Drouhin in Beaune and to Dubouef in Beaujolais.

The co-op also markets its own selection, Les Charmes, made from vines with an average age of 40 years and producing no fewer than 800,000 bottles. This co-op makes wine from 1,000 ha, 700 of them Chardonnay and the balance split between Gamay, the source of Mâcon Rouge, and Pinot Noir, that may be sold as Bourgogne Rouge, which is usually superior. But Mâcon Rouge has been improving in recent years and makes inexpensive wine for prompt drinking, while the Gamay, grown on chalky-clay soil, lacks the "cut" and definition of its Beaujolais on granitic sub-soil.

A quarter of Mâcon vineyards are given over to Gamay grapes, more than three times the amount of Pinot. A blend of the two is sold as Bourgogne-Passe-Tout Grains, a light wine of no great distinction but unobtrusively quaffable.

There is also a flourishing sparkling wine industry here, twice the size of the more widely known one in the Chalonnaise. I was not much impressed with Lugny's Blanc de Blancs, but the Blanc de Noir, which, in fact, is 50-50 black and white, has more character. These wines, called Crémant de Bourgogne, are made by the champagne method and, though lacking the finesse and style of champagne, deserve more attention when champagne prices are rising.

Finally, visitors to the area are recommended to visit the Maison des Vins adjoining the main road on the northern entrance to Mâcon. Run by an association of growers for more than 30 years, it provides a selection of wines to drink on the spot or take away, not only from the Mâconnais but also from the Chalonnaise and Beaujolais. There is another Maison down the road at Belleville, in the Beaujolais.

Lord who came in from the cold

Gerald Cadogan on the eccentric life and times of the Yellow Earl

IF YOU were a Victorian gentleman caught up in a spot of scandal, you made a clean break. And nobody made a cleaner one than Hugh Lowther, 5th Lord Lonsdale, the renowned Yellow Earl. In 1888, faced with the need to sojourn abroad for a while, he went to the Canadian Arctic to collect ethnography. He returned, apparently a reformed man, to a hero's welcome and lived for another 55 years. His journey and collections are the subject of a fascinating and enjoyable exhibition at the Museum of Mankind in Piccadilly, London (until July 1990).

Such a bleak region fitted his reputation for never doing anything by halves. Born in 1857, Lonsdale inherited the title – and enormous riches – when his brother died without a son. He liked to spend lavishly among the fast set and took on his new role with *gusto, smoking outsize cigars* (Lonsdales) and decking everything he could in yellow livery. Even his dogs were a pack of yellow(ish) labradors.

He adored hunting and the manliness of the ring. He loved to tell how he defeated the great American heavyweight, John L. Sullivan, catching him solid in the solar plexus. And he once dealt with a miscreant servant by a swing to the jaw. (The man got up and all was forgotten, of course. His Lordship was a sporting gent).

Women were part of the sport. Lonsdale even went after Lily Langtry at the same time as the Prince of Wales (Edward VII). It made the game exciting, if straining his royal friendship.

Then he met Violet Cameron, the actress. She was so captivating that he even toured with her company, as manager and backer. Her husband found this tough going; there were words, and blows, and the magistrates' court. After the second case Lonsdale had to go abroad. The Queen was especially desirous that he did.

Where? Not to the ease of temporary disgrace on the Continent, nor Wyoming, where he had been ten years earlier to shoot buffalo and had attempted to make a fortune from ranching. (The scheme collapsed in monstrous debt). No, it had to be somewhere utterly clean. To the rescue came the Scottish Naturalists' Society. They needed someone brave to go to the Arctic to collect native items and wild life. Lonsdale was the man.

The 14-month trip was rough and tough. "From all accounts we shall not return alive," says an entry in his diary. He had set out from Lowther, his Cumberland seat, with a servant and a dog who found it too cold and were sent home. But Lonsdale adapted to the rigours, keeping what extravagance he could. A lavish number of natives and half castes were servants. He hunted whales and learned to drive a team of huskies. On one journey he had to put down a mutiny at minus 64° F, by getting up several hours before his Indians and collecting their rifles and footwear. He lost 62 of his 69 huskies.

He travelled in the north and north west of Canada and into Alaska, which the US had bought from Russia in 1867. The natives were Indian and Eskimo. He liked most the Inuvialuit of the *Mackenzie* delta, where the river empties into the Beaufort Sea far north of the Arctic Circle.

What he collected went to the British Museum and is now in the Museum of Mankind, apart from some native fur clothing he kept for his wife. *That was sold* from Lowther in 1947.

The effect of the show is rather like a heavenly vision of an American mail order store for the outdoors. There are the essential chisels, knives, nets and traps, beads and belts. In summer the thing to wear for keeping the wind out was a mammal gut parka, so thin that it is transparent. You stowed gear in fish skin bags, and grass socks kept your feet dry in your boots.

Some pieces are "tourist art" souvenirs, made by the natives in reaction to what the Europeans carried with them. The most curious of these is a knife, fork and spoon set in whale ivory: the spoon is in the fiddle pattern of Georgian silver.

The Europeans who forced these changes in the daily lives of the natives were fur traders from the Hudson's Bay Company, gold miners, whalers, fish canners and tax collectors, while the missionaries, Roman Catholic, Russian Orthodox and Anglican, tried to change their religion. The exhibition includes a small wood and ivory tablet with holes for pegs. It is a calendar which the Orthodox converts used to keep track of the holy days. Local habits are shown by amulets and dance masks. I craved most the salmon skin gauntlets. They are tough and waterproof, and the glistening scales look incredibly smart.

In 1890 Lonsdale came home. He had left a rake and returned a paragon, to be towed through the streets of Penrith while the band played "See the Conquering Hero Comes." He was eager to return to the sporting life and undertake grave responsibilities: senior steward of the Jockey Club, president of the National Sporting Club and first president of the Automobile Association were among them.

He campaigned for the Queensberry Rules in boxing (Lonsdale Belts were named for him) and he graciously let the AA adopt his yellow. He died in 1944 revered by a sentimental public.

The sporting earl in the Arctic is a bizarre chapter in the story of anthropology. But if he had not been so outrageous, we should not have an unique collection that will remain a memorial when all his Hooray Henry shenanigans have long been forgotten.

Lonsdale photographed in Arctic clothing in 1889

The power of the private presses

John Pitt describes how dedicated specialists are keeping the art of fine printing alive

BOOKS are not what they used to be. It's not just what is in them, it's how they are made. For anyone who cares about the written word, the deterioration in production quality over the past decade has blunted the pleasure to be had from physical contact with paper and print.

Fortunately, it is still possible to buy books that, despite costing more than a modern hardback, are being produced in the true craft tradition of the medium. Take up such a book and the difference will be recognised immediately.

The paper is purer and whiter (it is probably hand-made), the type crisper, the ink darker and the binding stronger. The book feels comfortable in the hand and the eye lingers over the text.

To find such books, though, requires a little effort. They come from private presses operating from workshops that usually are located in the English countryside (many are to be found in Oxfordshire/Gloucestershire, where there is an active guild that unites the practitioners and helps publicise their products) and are run either by enthusiasts or, in a few cases, by those who aim also to make a living from publishing.

In the latter case, these private presses are the successors *to those great names which* flourished in the early decades of this century and invigorated book design, dragging it forward out of the deadening grip *of the late Victorian tradition:* the Doves, Golden Cockerel, Nonsuch and Gregynog.

Not only do these modern presses continue the tradition *of letterpress* (metal type impressed onto paper, the "invention" of Gutenberg in the 15th century and now superseded by the computer) but they also commission, or have commissioned, illustrations by leading artists, etchers or engravers.

This contributes to the beauty of the books and, since very limited editions are produced – in many cases, no more than a couple of hundred – to their investment value.

Already, some of the volumes produced by the early private presses are fetching substantial auction prices. At Sotheby's in New York last week, a copy of the works of Geoffrey Chaucer, made by William Morris's Kelmscott Press in 1896 and described variously as one of the greatest of all private press books, made $52,500.

On a more modest scale, an edition of *The Canterbury Tales*, printed by the Golden Cockerel between 1929-31 and with wood engravings by Eric Gill, made $3,000 while *The Revelation of Saint John the Divine*, made by the Gregynog in 1932, fetched $2,400.

Of private presses operating in the UK today, those producing work of a comparable quality and worth considering by the serious book collector include the *Libanus, run by* Michael Mitchell and Caroline Hunt in Marlborough, Wiltshire; the Rocket of Jonathan Stephenson in Oxfordshire; the *Whittington of John* and Rosalind Randle in Gloucestershire; the Rampant Lions of Will and Sebastian Carter in Cambridge; and the Fleece of Simon Lawrence in West Yorkshire. All are run full-time.

The Libanus varies its list between newly-translated classical texts and, as Michael Mitchell says, "the more lighthearted." One of its recent undertakings has been an edition of Plato's *Symposium*, translated by Tom Griffith (former head of the classics department at Marlborough College) and with wood engravings by Peter Forster.

This magnificent volume (only 340 were made) was produced in a number of bindings and sold for between £85-£320 when it first appeared in 1986. Among other projects is an edition of Dylan Thomas's *Under Milk Wood*, with wood engravings this time by Peter Blake, due for release early next year.

Stephenson at the Rocket has just completed a major and unique project: printing the wood blocks Sir John Tenniel cut for *Alice in Wonderland* and *Alice through the Looking Glass*. The edition was commissioned by the publisher Macmillan after the discovery of the *blocks four years ago in* deed boxes in a London bank.

The price of this edition (£950) reflects the special nature of the work and the care that has been lavished on it. Since only 250 have been made, the work is sure to become a collectors' item and its price on the dealers' circuit is certain to rise.

Stephenson is now preparing an edition of Paul Nash's letters, which should be available early next year, and organising the First International Fine Press Bookfair in Oxford next year.

Arguably the most distinguished of the private presses operating today, the Rampant Lions was established in 1934 and was the subject of a major retrospective exhibition at the Fitzwilliam, Cambridge, in 1982. Recent publications from the hands of the Carters include Samuel Beckett's *As the Story Was Told* and Johnson's *The Vanity of Human Wishes*, illustrated by Denis Tegetmeier.

The Whittington was established 18 years ago as a weekend relaxation from work at a London publishing house. As John Randle has said: "There was the simple satisfaction of using one's brain and hands at the same time, two occupations which have become increasingly divorced in our over-specialised society."

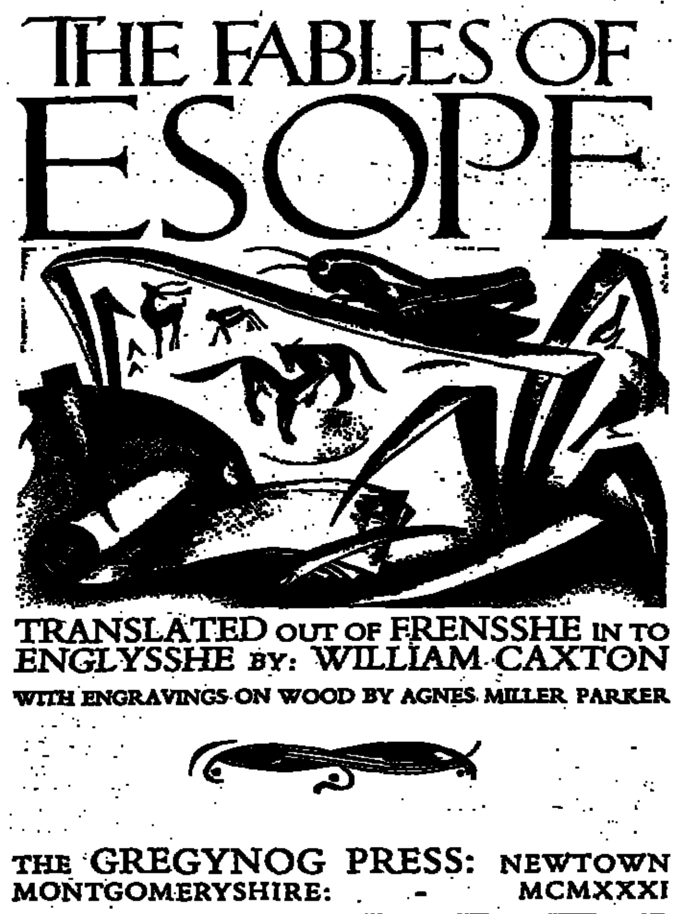
The Whittington had an encouraging start with the popular success of its first book in 1972: *A Boy at the Hogarth Press*, written and illustrated by Richard Kennedy. Produced in a limited edition, it was taken up by Penguin. The press now has a large list of books either in print or under way and aims to print five or six each year.

Simon Lawrence, grandson of Stanley Lawrence who ran a firm in London supplying boxwood and tools for engravers, has been publishing full-time since 1986. His aim in book production is "to print worthy books, often illustrated by wood engravings." To that end, he has recently produced work for the Society of Wood engravers and is working on an edition of blocks by Agnes Miller Parker.

Contemporary private presses are making books that embrace the great traditions of the craft and, in an age which puts quantity above quality, continue to stress that the printed page is something that ought still to be enjoyed, not merely tolerated. But these presses, small as they are, also publish important works, books too specialised for the commercial publishing houses to take the risk. As such, they are adventurous and imaginative.

■ *Sotheby's is holding a sale containing private press material at the Grosvenor Gallery, Bloomfield Place, New Bond Street, London, on November 29/30.*

■ *Further information on private presses can be found in the quarterly American magazine, Fine Print, available by post from P.O. Box 3394, San Francisco, California, and in A Catalogue of Fine Press Printers in the British Isles, available from Hanborough Books, The Foundry, Church Hanborough, Oxford, OX7 2AB.*



Agnes Miller Parker's wood block illustration for the title page of Gregynog Press's "The Fables of Esope" (1931)

The Genius of the Place

A very proper spot to bend the knee

T. S. Eliot celebrated Little Gidding in verse. Nigel Spivey goes to see for himself

THERE IS, as T. S. Eliot has it, such a season as mid-winter spring. If that is paradoxical, then it is due entirely to the oxymorons built into the British climate. Heat-waves in April, frost and hail in the month of May. Days that start glorious and end sodden, days that start sodden and end glorious. But whether you go to Little Gidding in winter, spring, summer or autumn, it does not matter: *"It would always be the same."*

I went recently, a refugee from vicious traffic on the A1, and was punished by a brawny wind from the east - the sort of bullying wind that plucks small birds from the hedgerows and spins them over the fields like burrs or chaff – but found the place, as always, a haven. It remains utterly simple with its chapel and tombstones; the nearby scrummage of trees around a pond; the car-park, looking *something like a gypsy* encampment; aged pigsties; and the clutch of farm-style buildings occupied by the present community.

The original *genius of this* place was Nicholas Ferrar who, with his mother, set up an infirmary and premises for worship in 1626. The latter genius was Eliot, who celebrated Little Gidding in the fourth of his Four Quartets. The chapel is the *rightful location* for reading and meditating upon the poem but, more than that (as Eliot instructs): "You are here to kneel."

Kneeling ne'er hurt silk stocking – and, with that, we invoke a third genius impinging upon this place: George Herbert. A visit to Little Gidding should include the church at Leighton Bromswold, five miles south; its interior is due to him and *its Classical exterior is in his* honour.

Little Gidding lies in Huntingdonshire: Cromwell's own county. The community set up by Ferrar (who had retreated there from a promising business career) soon attracted calumny. King Charles I, perhaps intrigued by rumours that an "Arminian Nunnery" had been instituted there, went to inspect the place only a few months before the outbreak of the Civil War.

He was charmed by its studied purity; but when he returned, in 1646, he had no power either to pardon or approve what the Ferrars were doing. He was on the run: a broken king. And although the residents were prudent enough not to harbour him at Little Gidding, but at a neighbouring village, the chapel was later set-about by Puritan thugs as a reprisal. They took the brass eagle lectern and brass font and dumped them in the nearby pond.

No-one could say the chapel is decorated *flashily* or idolatrously. It merely embodies good faith. Its vicissitudes since the Civil War have been unexceptional; *indeed, by the middle of this* century, so unexceptional that disuse and decay threatened. Eliot's poem, published in 1942, broadcast the name of Little Gidding far wider than could have imagined. I have a 78 rpm record of it, with Eliot sounding the archetypal Anglican clergyman over the crackles.

He was party in 1946 to founding the Friends of Little Gidding, whose object was to save the chapel from decay and "preserve the sense of Little Gidding as a holy place, from which the sanctity can never depart." There seems little danger of this now: since 1977, the village has accommodated a community with a basis very much akin to that established by Ferrar.

Little Gidding is a proper retreat. It might seem an act of poor spirit to publicise a place where the inspiration is hermetic. But when Ferrar was there, visitors were both numerous and welcome – as they still are. A community of this sort may turn to the *world without surrendering* to worldliness.

On the first visit of King Charles, his retainers were recorded as having helped *themselves to apple pie from* the pantry, which they declared to be as good "as ever we eat." Within the past year or so, a "parlour" has been *created for* visitors with apple pie and other refreshments, a bookshop, and a modest exhibition about the history and ideals of Little Gidding. The less ascetic should proceed to the Fox & Hounds in Great Gidding, which stocks a noble ale called Bombardier.

The chapel at Little Gidding: "You are here to kneel"

Food for Thought

Trifling with truffles in Umbria

Giles MacDonogh finds some producers are economical with the truth

I HAVE a friend, a high-ranking civil servant in Paris, who prides himself on his ability to deal with businessmen looking for special *favours: he lets them take him* to lunch and, as soon as he sits down, he orders a dozen black truffles poached in champagne. Sadly, I have to admit that I *have never been sufficiently* interesting to financiers to receive this sort of treatment. The result is that the taste of truffles remains somewhat elu*sive to me.*

This time last year, I believed I was finally about to experience the ultimate feast on a visit to the Italian black truffle centre of Norcia in Umbria. I was in Italy to judge at the Banco d'Assagio tasting in the little town of Torgiano. The mornings were taken up with wine-tasting, but in the afternoons the organisers laid on trips to Umbrian beauty spots and, one afternoon, featured a journey to Norcia for lunch plus a visit to the area's largest truffle processor.

Lunch was disappointing. The truffles were there, all right, *swimming* in a pool of grease which coated an indifferent dish of pasta. Nor were matters helped by the distinctly ropey local wine. After *the meal, we were led off to* a modern building and assembled in a car park-cum-rubbish dump to watch a couple of pye-dogs pick up 10 black truffles that had been buried specially for our amusement. Confused by the scents of the tasters, the dogs managed to retrieve only three. I had visions of the poor creatures, together with their handlers, being shot at dawn

The next item on the agenda was a tour of the plant where this Norcian "foretaste of paradise" was being vacu*um-packed, bottled and* squeezed into tubes before being despatched to its hungry market the world over. On examining the packets, we found them to be marked "truffles de Perigord" and "tartuffi d'Alba," which struck us as being a bit odd. When we faced the owner with this untruth, he replied, baldly: " 'Ees the same kinda truffle."

With this in mind I asked Kevin Kennedy, of London's Boulestin restaurant, if he knew of similar distortions when it came to the origins of the truffles sold in his dining room. He said he had met the problem and now bought only from trusted sources.

The black truffle season opens in Perigord after the first frosts of winter. With it, said Kennedy, came "weird 'phone calls" from foreign men hawking truffles; serious offers arrive *after Christmas*. He has no faith in the French central market at Rungie, where they have a tendency to re-label *truffles that come from outside* the Perigord region: Norcia, *for* example.

Kennedy has the reputation of being one of London's biggest truffle-users but, personally, he defers to Michel Bourdin at the Connaught Hotel (where, once, I was shown a padlocked cupboard filled with more than £100,000 worth of truffles). As it turned out, even Kennedy has eaten a whole truffle only rarely; but when I asked him what to do with one, he was not short of ideas.

He says the best truffle is the raw tuber, brushed lightly to remove surplus soil from its skin. Truffles in jars or tins are, generally, of inferior quality. To get the most from your truffle, you should leave it for between 24 and 36 hours in a container filled with Italian rice and fresh eggs.

Three dishes may be had from your truffle: a risotto, scrambled eggs (both steeped *deliciously* in truffle aromas), and the truffle itself. With the latter, Kennedy suggests poaching it in veal stock (now available commercially) in two soup bowls topped with a pastry lid. The peelings from the tuber are then put into the risotto.

Kennedy thought this a perfect meal for lovers, sharing the truffle after drinking off the stock. I asked him if he believed truffles to be aphro*disiac. He replied that all* treats were aphrodisiac.

With the lesser-quality truffle in a jar, there was the advantage of the juice which *could be added to the risotto or* the eggs. Slices could be used in a beef fillet en croûte. Another use for the juice was as an essence poured over *soft-boiled quail's eggs* on top of fresh foie gras.

Last year, Kennedy spent £2,500 on truffles at £450 a kilogram. After he gets them he bottles them in three-star cognac, dipping into his jars until the supply runs out. At the Boucherie Lamartine* in London SW1, you would have to reckon on £700 a pound for unscrubbed white truffles.

White truffles are being hyped just now and a black truffle is about half the price. Harrods**, the west London department store, will be selling unscrubbed blacks for between £50 and £80 each this winter. Prepared jars are *cheaper*: £250-£300 a pound for the Perigourdines, £48 a 200-gramme jar for whites and a mere £18.50 for a 200-gramme jar of Italian summer truffles.

**Boucheries Lamartine, 229 Ebury Street, London, SW1 (tel. 730-4175).*

***Harrods Food Hall (tel. 730-1234).*

Eco-worry hits home: designer living behind the 'green' door

Lucia van der Post reports on how the need to be environment-friendly in one's purchases is now looking set to take over the entire house

ONCE UPON a time shopping seemed such a happy, innocent sort of thing to do. One could set out larkily on a Saturday morning and head for the supermarket, the boutique or the chain-store in a carefree way with no moral imperatives lurking in the background other than a niggling worry about the wherewithal to fund the expedition. These days it's angst, angst, angst all the way.

After the eco-sound washing-powder, the recycled paper and the non-ozone-depleting deodorants, committed greens can now extend their area of concern and start worrying about the whole house – or if that sounds a bit too much to tackle all at once you could start by just looking at a single room.

If you are wondering how to translate all your environmental concerns into the right purchases for the home, the Conran Design Group has done a lot of the thinking for you. In answer to a plea from Tyne Tees Television – which is broadcasting a programme at 11.20 pm on November 24 on many aspects of design – the group took a look at the implications of "greenery" on interior design. As a theoretical exercise the Conran Design team wanted to show that "green" needn't mean drear, and that style and eco-sound products are compatible, so they put together a complete "green" room in a Barratt house in Newcastle.

Almost everything used in the room came from the Conran Shop in London, but don't let that put off those of you who live out of the capital or who can't afford Conran Shop prices – the principles behind the choices are worth considering because they can be applied whenever and wherever you decide to buy your furnishings.

The starting point, as with all ecological messages, is to cut down on waste. (The good news on that front is that that means antiques are OK.) Conspicuous consumption is not compatible with eco-friendly living. Everything used should have a purpose or a function – which may include pleasure for the eye or spirit – but should not be simply for show.

There is also a heavy emphasis on the natural and organic – wherever possible recycled materials or hand-crafted products are used. And quite apart from the green theme there is also a moral message: we should buy things which support local industries, whether in India or Cumbria, but whereas in the past we may have expected these to be cheap, we should now prepare ourselves to pay fair prices and not extract the toughest deal from vulnerable communities.

All this, of course, means work, work, work for the committed consumer – if we are going to be serious about the environment we have to be well-informed. With almost every new product these days sporting an "eco-friendly" label, keeping tabs on manufacturers is just one of the tasks that beckons.

So much for the philosophy – what does it all mean in practical terms? Sketched here are some of the products from the "green room," each of them illuminating one or other of the underlying principles.

The curtain rail comes from Habitat, which says it is made from natural beech wood grown in Britain in controlled conditions in which felled trees are replanted. Wood itself is of course a good "green" material, being natural and more or less endlessly recyclable.

The curtains are made from remnants of Indian cottons in rich spicy colours dyed with natural vegetable dyes, and are often sold in pieces in sales. Used elsewhere in the room is the simple, loose-weaved, creamy-coloured Khadi cotton made famous by Mahatma Gandhi when he exhorted his fellow Indians to weave it themselves instead of exporting the raw material to Britain and then importing it at inflated prices. It is a truly beautiful fabric and sells for just £4.50 a metre.

The lamp shade is made from recycled paper, the base is ceramic. The shelving system and the chair are both made from wood fillings that are left over when timber is cut and which usually goes to waste. The furniture is hand-crafted and the twigs can be used with the bark either on or stripped off – the effect is curiously stark and primitive but also elegant. Not the sort of furniture, perhaps, to put into a hi-tech environment but it would glide easily into what is called an eclectic room. The shelf unit sketched here is £315, the Gaston chair is £120.

The Conran team filled the room with lots of wooden bowls, all hand-turned and made where possible from wood already felled. The bowls are filled with autumn fruits and flowers – the rather austere message here is that nobody needs hothouse plants, flowers or fruits. We should take pleasure in the seasons at their proper time and do without energy-wasting hothouse products or exotica flown in from far-flung parts. Air-polluting transport is, of course, a big "green" enemy.

The rug on the floor is a hand-woven, antique Indian indigo dhurrie, approximately 60 years old and quite beautiful. There's a big selection at the Conran Shop; prices vary roughly between £350 and £900, depending upon size and age.

Under the rug, but not drawn, is coir matting from Malaya made from the husks of coconuts (these used to be thrown away). Exceedingly hard-wearing and designed to last and last, it sells at £8.36 a square metre. Coir matting has long been beloved of the design literati and was seen on many a chic floor well before it got the eco-friendly imprimatur.

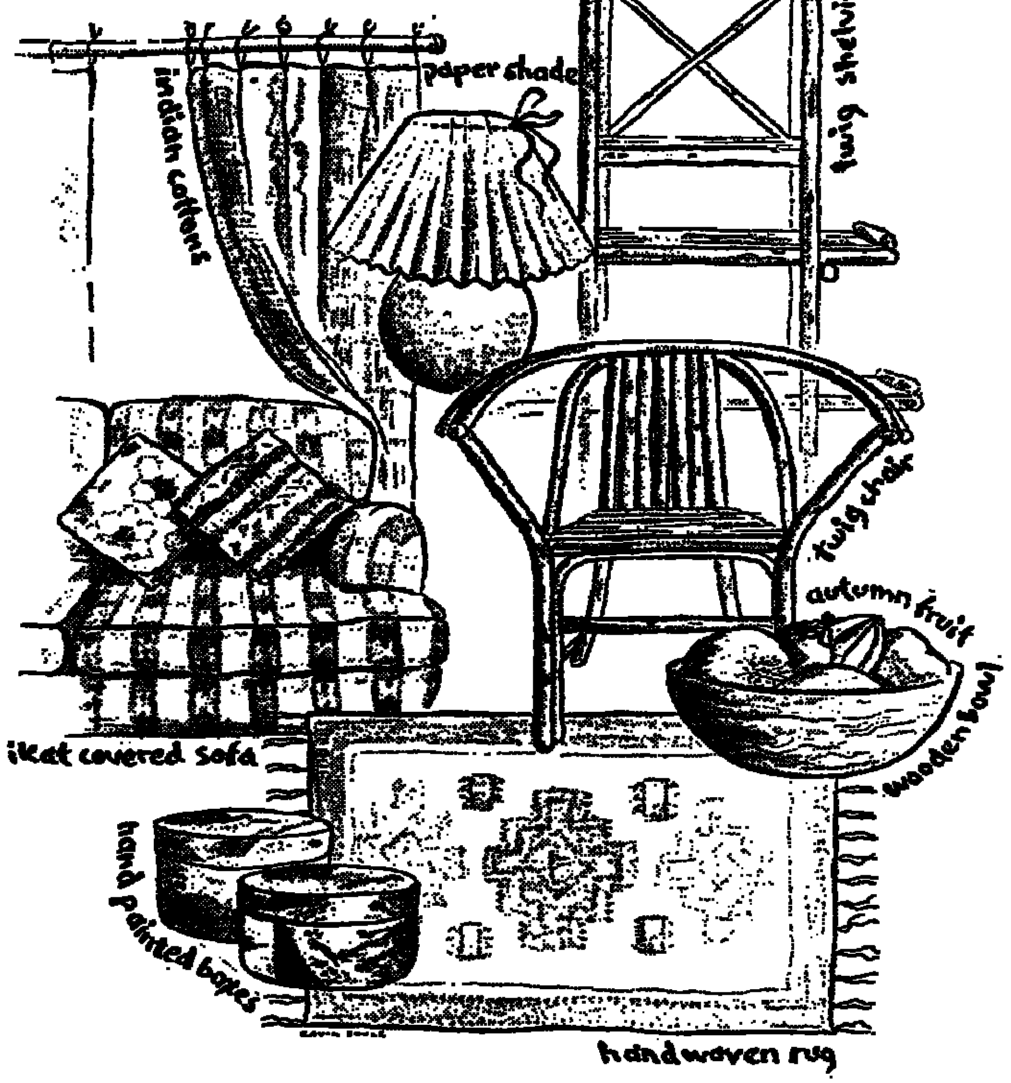
The hand-painted boxes are designed to put across the message that we should learn to take pleasures in simple crafted things, to appreciate individuality and to understand that small variations or imperfections are part of the hand-made process. Similarly, all the glass in the room is made from greenish-tinged recycled glass and contains small bubbles or "imperfections," which those of us educated into expecting glossy, machine-made perfection will have to learn to understand and appreciate.

The sofa was chosen for its softness, its comfort and the fact that it is designed to last – away with the disposable, throwaway society! The frame is from plantation-grown European beech (no tropical hardwoods, of course); recycled fibre felt is used in the seat and arms and the foam is made without any CFC gases being generated. Granby, as this particular sofa is called, costs £825 without fabric. Here it is covered in an Ikat fabric, another 100 per cent Indian cotton random-dyed with vegetable dyes; prices vary between £5.50 and £11.95 a metre.

So there's the ecologically-sound room for you – not everything in it will be to everybody's taste, but then nothing ever is. Many of the things in the room are inherently lovely and are the sort of things I would have chosen long before I'd heard of eco-speak – creamy Khadi cottons, Ikat fabric, antique kelims, coir matting, hand-turned wooden bowls . . .

Nobody is suggesting that you rush out and replace everything all at once (that after all, would be committing the dreaded green sin of "waste") but it certainly leaves one with plenty to think about, if not to worry about.

Speaking for myself, it seems that the implications have almost too many ramifications for most of us to grapple with. I'm beginning to have sleepless nights thinking about the jobs of all those people busy making machine-made goods in factories up and down the land; then there's *solar energy, and* pollution-free travel to get concerned about . . . it looks as if eco-worry is going to be the stress disease of the Nineties.



Eco-friendly products chosen by the Conran Design Group

An African odyssey

OF ALL the special moments of all the special days on the FT safari to Botswana I suppose the moment that meant most to me was when Alec Campbell, former curator of the Botswana National Museum, led our little group to some Bushman paintings on a curve of honey-coloured stone nestling among the great, brooding Tsodilo Hills. There before us was what has come to be called the van der Post panel, painted by

a Bushman artist well over 600 years ago, with its "enormous eland bull standing sideways, his massive body charged with masculine power . . . the female giraffe with an elegant Modigliani neck . . . looking past the eland towards a baby giraffe standing shyly in the right of the picture," and, of course, the artist's signature, the firm impress of the palms of both hands.

This was the panel that my father [Sir Laurens van der Post] had first been shown by his Bushmen guide Samutchoso back in the 1950s and which he described in *The Lost World of the Kalahari*. And there, in a cleft in the rock exactly where my father had left his message in a bottle to the spirits of the hills, was another bottle and another message, reaching across the years, one traveller to another.

As you will have gathered, the FT safari to Botswana is safely back – so, too, is the group that went to Zimbabwe. And yes, thank you, we all had a smashing time. In Zimbabwe John Stevens and Gavin Ford turned out to be inspirational guides; anybody who goes on safari with them is lucky indeed. The 12 readers who came with me and James Ewart of Grenadier Travel also had, I think it is fair to say, the time of their lives.

We were a mixed bag who had come for mixed reasons. One had come searching for what he called "A real Boy's Own adventure" – and he got it when he and his party had to sleep out overnight after their Land Rover was stranded in a swamp. Some got rather more than they bargained for – after the unscheduled night out in the bush one of our safari-goers who had spent the night listening to the roaring of nearby lions was claiming that for her next holiday she was going to "Baden-Baden, where there would be lovely nurses with hot towels."

All had been drawn by the special experiences our safari had to offer – the chance to see some of the wildest, most extraordinary parts of Africa in our own small group with our own guides. We camped besides swampy marshes, overlooking almost park-like savannah, and beside ancient stone-age ruins and baobab trees in the desert. And we all spent happy hours under Alec Campbell's tutelage learning to identify Stone Age artefacts lying among the stones and dust of the mysterious ruins of Kubu island in the middle of the Makgadikgadi pans.


Piggy-back style through the African swamps

The most memorable days, for all of us, were our two days spent in his company. I don't think anybody will forget our camp site at Kubu, in the middle of what is now desolate salt pan and which was once a giant inland sea, or the feast we ate under the stars, or the great Kalahari storm that blew up overnight and tore down most of the tents.

We didn't always see as many animals as we had hoped, but then Africa has long ceased to be the country of bountiful wildlife. As Clive Walker, a South African conservationist, puts it: "The Bushveld is not always the scene of vast numbers of moving animals, but more often empty and silent except, perhaps, for the wind. All around us, however, we find the signs of the passing of many species." So we often found it. But with our guides we also tracked down game; they found for us the elusive lion, troops of elephant, herds of buffalo, the roan antelope, the sable and the tsessebe.

Perhaps the most compelling thing Botswana has to offer is its combination of scrub, desert and, right in the heart, the magical Okavango Delta, all reeds and swamps, lush palms and tiny islands. This is the place of which David Livingstone heard tell long before he got there. "We came to a large stream," he wrote. "I enquired whence it came. 'Oh, from a country full of rivers, so many that no one can tell their number – and full of trees . . .' We found the water to be so clear, cold and soft the higher we ascended that the idea of melting snow was suggested to our minds."

But Botswana, like everywhere else, is changing – the habitat deteriorating under the combined pressures of increasing human population, the results of a seven-year long drought and the devastating effect on ancient animal migratory routes of fencing designed to prevent the spread of food and mouth disease. Whenever I come back from Africa my next thought is always "when can I go again?" To those who have never been, who long to see the wonderful wild places, I can only say "Don't wait too long. Every year something is lost."

PS. We are beginning to make plans for safaris next year. Though dates are not yet finalised the itineraries will be substantially the same. If any readers are seriously interested in coming either to Botswana or Zimbabwe, they should write to me at the Financial Times, Number One Southwark Bridge, London SE1 9HL, giving me some idea of the dates that would most suit them (bearing in mind that the options for both countries really lie between April/May and Sept/Oct) and we will put them at the head of the queue.

L.v.d.P

A wrap-up of gift ideas

FESTIVE FEVER is here and though there are always those whose presents are already bought, wrapped and labelled, for those who – like me – are still hunting for the perfect present, here are a few suggestions.

■ Barclay & Bodie, 7 Blenheim Terrace, London, NW8 OEH (tel 01 328-7879) is the sort of shop where you find all the sort of totally beguiling things you can perfectly well live without but much prefer not to. It's the place to find the house present *par excellence* – letter racks and paper knives, beautiful lamps and cushions, wall sconces and rugs, small seductive pieces of china and glass, Victorian picture frames and ash bath accessories. Sketched above right is a beautifully-made collection of fake tortoiseshell accessories which turn an everyday object into something special. The comb is £11.95, the magnifying glass, (useful to keep beside telephone directories) £39.95, the toothbrush in its own little box is £9.95. Also in the set is a little bowl for £13.95, a compact at £13.95 and a moustache brush and comb set for £16.95.

■ Any of the delicious scented goodies from the Polo Ralph Lauren home would be new (until recently they could only be bought in the US) and interesting. In five different fragrances (Jamaica, Country, Thoroughbred, Holiday, Summerhouse . . . decisions, decisions) you can choose from scented drawer liners at £21; a large, cellophane-wrapped collection of pot pourri at £14; or moth chasers (currently much sought-after as traditional mothballs disappear from the scene), available in Country and Thoroughbred only at £22 a pack.

■ Not so much a present, more a Christmas necessity – decanter driers at £6.95 a pair. They are one of the items readers are always asking for – well, at last I've come upon a new source. Hurley Style Limited, The Manor House, Hurley, Berks SN6 5NB will sell you a pair of 12-inch-long driers which contain crystals to absorb all the moisture from the decanter within hours. Buy them by post – Visa accepted – on 062 882-4303.

■ If stockings are part of your family tradition and you're looking for an easy way to fill them, Neal Street East, 5, Neal Street, Covent Garden, London, WC2 has done much of the work for you. It sells stocking filler packs for £9.95 – a minimum of 14 presents per pack including things such as a balloon-propelled racing car and a glow-in-the-dark bat for boys, a mini-teddy and Japanese waterflowers for girls. NOT suitable, alas, for children under five. You can order by mail (tel 01 240-0135).

■ Those of a nostalgic turn of mind might like know about the Ironbridge Gorge Museum, Ironbridge, Telford, Shropshire (tel 095245-3522. Open seven days a week from 10am, anybody in the area could combine a visit to the museum with a bout of Christmas shopping. Others can buy by mail. It has marvellous selection of presents with an old-fashioned air, many costing very little. Choose from a cast-iron bottle opener stamped with the words Iron Bridge for 55p; an 1895 newspaper at 20p; a cast-iron doorstop at £8.75 (£2.50 p+p); a traditional teddy bear, £16.50 (£2.50 p+p); or a Coalport jug based on an 18th century blue and white design, £28.50 (£2.50 p+p).

■ If you have a favourite child you can now organise what seems like a very personal present. You fill in a questionnaire with the name of the child, his or her age, favourite friends and family, feed it into a computer and in something like three minutes out comes *My Book*, featuring the child as the hero/heroine of the story. In full-colour, very nicely done, it costs £12.95. Order it in person from Hamleys, Harrods, Selfridges, Debenhams, and the Trocadero in Piccadilly, or by telephoning 01 485-9213.

L.v.d.P


ILLUSTRATION: JAMES FERGUSON

Saleroom

Brakes put on the great art boom

THE GREAT Art Boom suffered its Black Tuesday in New York *this week; took a deep* breath; and then recovered its nerve. The signs are that this is now a more sober, more sensible, market.

On Tuesday Christie's American President, Mr Christopher Burge, bounced brightly on to the auctioneer's podium and set about knocking down 95 *generally* top quality Impressionist and Modern pictures and sculptures. With a fair wind, and the new breed of investor-collector feeling lucky, he was confident of bringing in around $315m. *In the event he* managed just $232m (£146.1m) and 29 lots remained unsold, including an important painting, Picasso's "The Death of *Harlequin.*"

The next night his rival, Mr John Marion, took the stage at Sotheby's with 75 lots to dispose of. His company's shares had fallen during the day in anticipation of a disaster. *In* the event things went swimmingly and Sotheby's established a new record for an art auction of $269.5m, with only five lots left unloved. Why the contrast?

The intense competition between Sotheby's and Christie's to secure important works of art to sell is pushing both into deep waters. Sotheby's is playing the "guarantee" game, promising coy vendors of really valuable collections a certain financial return for their art. In this way it secured the collection of John Dorrance, the Campbell Soup tycoon, earlier this year, guaranteeing his heirs at least $100m from the auction. On Wednesday night eight lots carried the tell-tale asterisk in the catalogue, signifying that *Sotheby's had guaranteed* a price on them, or actually owned them.

Christie's in contrast, eschews such risky ventures. Instead it is being forced to offer over optimistic estimates to prospective sellers in order to secure the business. Vendors need little persuading about the exalted value of their art. *The crazy rise in prices for* the best works in the past two years has convinced many that now is the time to cash in their collections at never-to-be-repeated prices.

Even such a rich man as Mr Paul Mellon is not immune to the opportunity and he spoke to both Christie's and Sotheby's before consigning 14 paintings and sculptures to Christie's for sale on Tuesday. In the event seven were unsold, mainly because to tie up the deal Christie's had recommended estimates way above Sotheby's more conservative suggestions. For example, the masterpiece, a view by Manet painted from the window of his studio in the Rue Mosnier, was valued at between $15m and $20m by Sotheby's but at $30m or even more, by Christie's. Naturally Mr Mellon went with Christie's. In this case the optimism worked (almost) and the Manet sold to the Getty Museum for $26.4m. But a group of wax figures of dancers by Degas, which Sotheby's thought might each make $500,000, or slightly more, were estimated by Christie's at over *$1.5m each and they failed to* sell, as did "The Death of Harlequin."

"Our judgement of the market was better. Our estimates more realistic" says Mr David Nash, head of Sotheby's Impressionist department. "We don't expect a doubling *of* prices every time." Sotheby's hopes that its more cautious approach this week will have gained it the confidence of sellers. Christopher Burge agrees with the argument. "You can't expect the market to push up prices by 50 to 70 per cent every year. We have got to nurture collectors rather than investors."

Burge found hope in the appearance of many buyers willing to spend between $1m and $10m at his auction. There then *seems to be a gap until* the very few mega rich collectors come in at the $30m plus level for the rarest masterpieces, such as Picasso's "Au Lapin Agile" which Mr Walter Annenberg bought for $40.7m. What was most encouraging for both houses, in a successfully stabilising week of sales, was the enthusiastic bidding *for the best work of second* division names: the record prices set for the likes of Vuillard ($7.7m); Vlaminck ($7.15m); and Foujita ($3.74m) at Christie's and the matching records of $9.6m for Mondrian; $9.35m for Miró; and $5.28m for *de Chirico at Sotheby's.* Between them the two dominating auctioneers secured well over 20 new auction records for what now must be considered "big name" artists, the likes of Odilon Reddon, Juan Gris, Balthus, and Signac.

If more caution by buyers at the top level and frantic competition in the middle range were two features of New York, the third was the continuing force of Japanese bidding. The euphemistic "Asian trade" snapped up 38 per cent *of Christie's main sale, spending* $88m. The Aska gallery, whose parent company Aicha International owns 6 per cent of Christie's, paid out $23.16m, mainly on decorative Renoirs. To show its independence it was equally busy at Sotheby's the next night, investing almost $30m. More often than not the Japanese were competing with European dealers: the Americans were taking a back seat, having exhausted themselves paying the earth, and more, for contemporary art last week.

Both Christie's and Sotheby's share the blame for encouraging speculation that their string of sales might see $1b change hands in the most extravagant art bazaar ever. In the event the turnover was nearer $600m, still a mammoth sum and underlining the dependence of both houses on just one sector, Impressionists and moderns. Its international appeal guaranteed an appreciable rise over last winter's auctions, but the dangerous fever which gripped the market in the summer seems to have cooled down. At least for the moment.

Antony Thorncroft

Detail from Picasso's "Au Lapin Agile," which made $40.7m

Christie's claimed its most successful sale of British paintings ever in London yesterday, writes Susan Moore. Zoffany's conversation piece of the family of Lord Willoughby de Broke, *consigned by the family* and in marvellous, untouched condition, far exceeded high expectations, and sold to Agnew for a record £3.08m.

Competition forced the price of Van Dyck's late portrait of Mary, the Princess Royal, to double its estimate and sell for an auction record of £880,000. A bust length portrait of her father Charles I by William Dobson, soared to £165,000. The sale totalled £11,736,010, with 79 per cent sold.

The rain cloud hanging over *Mr Paul Mellon's Impressionist* paintings in New York crossed the Atlantic. Of the 26 largely very superior cast-offs from his private collection and from the Yale Center for British Art, eight failed to sell and one, attributed to Zoffany, was withdrawn. Some £5.5m had been estimated for the group, but the final figure did not reach £4m. Notable casualties were Gainsborough's rose-tinted portrait of Major Dade, and the group by Stubbs. The two small London Canalettos subjects both broke the previous auction record for the artist. The Thames at Westminster found a new home at £1.32m.

Frankly decorative

*Encouragement by great artists is not necessarily proof of genius, says **William Packer***

THE WORK of a forgotten post-impressionist, Jacqueline Marval, now fills the Crane Gallery *(171a Sloane* Street SW1: until December 9), the second gallery of Andras Kalman which, in the hands of his son Andrew, he is redirecting back into the mainstream of London's gallery world. Marval was almost the exact contemporary of Bonnard and Matisse and, like Matisse, she came to her vocation late. She arrived in Paris to study in 1895 after the failure of her marriage, and was soon a figure in its art world. She was an associate of all the heroes of that heroic age, showing with them in the salons des Indépendants and d'Automne, and taken up by their dealer, Vollard.

In her lifetime she enjoyed the professional respect of her peers and considerable success on her own account. But after her death in 1932, her reputation seemed to fall away, her *name but another in an old* catalogue. The inevitable revival began with a centenary show at her birthplace, Grenoble, and has been cultivated here by Kalman since the early 1970s.

Clearly she did not deserve complete obscurity, but then it is always easy to overstate a sympathetic case. Hers seems to have been a powerful and attractive personality and, without intending to patronise her as a mere woman, we should remember nevertheless just how persuasive a personal association can be. The friendly support and encouragement of such painters as Rouault and Matisse is understandable, but not necessarily to be taken as proof of genius.

She was a good painter and *well worth reviving,* but uneven. Her work is attractive and engaging, and the earlier work, the still-lifes and landscapes especially, is often distinguished. But with time it becomes more graphic, frankly decorative and, it must be said, slight. Wonderfully pretty though her nudes and models undoubtedly are in their ribbons and *bows and* straw hats, there is in their faces too often an element not of simplicity, nor of the ambiguous calm of Laurencin, but of caricature. This, in the end, is their limitation.

Maro Gorky is showing her latest paintings, People and Places, at Long & Ryle (4 John Islip Street: until November 30). She trained at the Slade in the 1960s, but has long lived and worked in Tuscany. Her work too has decidedly graphic tendencies, a flattening of the *mass and a strong linear* emphasis to the image, that are both strength and weakness. There is no doubting the talent, but the effect is rather to take the work only so far but no further.

This is less the case with the landscapes, in which the surface is more generally and densely worked and the image naturally more diffuse. With attention thus spread, though the handling remains insistently mannered and to some extent decorative, the effect is *to allow into the work a cer*tain element of surprise, as though the artist herself is less certain of the outcome. The portraits and figure groups, of daughters and husband, are much simpler and stronger in design and iconic presence, but with them the formula is too obviously repeated. The paintings are safe simply because the artist has ruled out the possibility of development in their working, and thus of surprise and discovery. She knows what she is doing, too much so. Her work is delightful, but could well be so much more.

In his very different way, her husband, **Matthew Spender,** who is showing paintings and carvings at the Berkeley Square gallery (23a Bruton Street W1: until November 25) is in the very same case. Again the technical ability is evident. But there is rather more to that business than the prolific demonstration of talent. Again and again Spender sets up large canvasses with with his romantically symbolist figure compositions, waifs and strays in a shallow, theatrical space against an anonymous backdrop. *There is nothing wrong* in so looking to Picasso and his saltimbanques and dreaming lovers, but with Spender, the setting up is all. The essentially graphic statement is taken as the painted achievement, which is why the work is so frustrating. There is no painting, no substance, but only a swift line round the contour and general filling in. These things, too, could all be so much more than they are. It would seem it is not the practical touch that the Spenders *lack, working away together* in Arcady, but only a fiercer scepticism to their proper mutual support.

Portrait of Maria Lani, c.1928, by Jacqueline Marval

Literature and music plaited together

THE GERM of this strange, unexpected eulogy of a book may lie in the pages on Vaughan Williams in the author's *Man and his Music.* Greatly expanded in Wilfrid Mellers' *Vaughan Williams and the vision of Albion* (Barrie and Jenkins, 270 pages, £25), they now accommodate enthusiastic analytical descriptions of the more important compositions and detailed consideration of literary sources and affinities.

In succulent prose English literature and English music are plaited together into a cultural corn dolly. "The canonic polyphony is a human togetherness perhaps inspired by the spirit of delight,", referring to a passage in *The Lark Ascending* is a fair sample. Prudent readers will arm themselves with a pile of scores and records as well as the works of Bunyan, Blake, Whitman, Housman, the *Oxford Book of English Verse* and a good dictionary of music.

Mellers is anything but a parish pumper. There can be few writers on music today at home or abroad commanding so wide a view. His horizon includes America as well as Europe, his interests range as far in time as in space. This gives authority to his high estimate of the music here discussed.

There is a sense almost of coming home, of a prodigal returning to his roots, as if it was not only Vaughan Williams who was "seeking his English identity beyond or beneath the industrialized world around him." Mellers is fully aware of the vital slice of musical history - the age of sonata principle - missing or by-passed in our development.

Only a few connections can be made with the Continent, most of them referring to Vaughan Williams's one-time teacher (and younger contemporary) Ravel. Busoni and Orff are mentioned for kinship in some *respects* - these three names certainly cover some ground.

VAUGHAN WILLIAMS AND THE VISION OF ALBION
by Wilfrid Mellers
Barrie and Jenkins £25, 270 pages

Those who have grown up with this music and feel at home there have firm favourites, occupying a special place in their musical landscape. My *list almost coincides with Mell*ers, but the differences and his persuasiveness sent me back, a little backgrounds, pentatonic birdsong and woodwind arabesques (sometimes arousing a fierce wish that some cataclysm had erased the five-note scale from human consciousness), clumping marching tunes etc, may on re-examination prove claustrophobic.

The eighth symphony (with the spiels and the phones) was disappointing, at least in Barbirolli's greyish recording. One wished Vaughan Williams had made more of the Hindemithian whippiness that enlivens some pages. The ninth symphony, highly rated by Mellers but generally scorned, revealed itself, under the arid surface (Salisbury Plain was an influence) as moving in a powerful yet muffled way, fuelled with banked fires (he was over 80 when he wrote it).

I believe Mellers overvalues the *Five Tudor Portraits,* yet the choral works seem to me to come up more freshly than the chain of English symphonies that Vaughan Williams heroically forged over the years "that compensated for our failure to establish one during the nineteenth century." For example there is the visionary *Sancta civitas* (words from the *Book of Revelation),* a weird and wonderful piece glowing with dull golden, Szymanowskian textures and ecstatic, clashing dissonance, in the fall of Babylon episode clearly anticipating *Belshazzar's Feast.* "Anthology cantatas", a genre to which Vaughan Williams made an important contribution, are what we have to set beside the European post-Wagnerian operas of high literary as well as musical merit, written between *Parsifal* and *Capriccio.*

Of Vaughan Williams's operas, Mellers values *Riders to the Sea* and *The Pilgrim's Progress* but more or less dismisses the rest. These won't have much chance until we have a *Volksoper* again. Some hope! But with *Sir John in Love* he jettisons some lovely music including the wedding chorus in the last act (words not by Shakespeare but Ben Jonson) which is one of the loveliest examples of the sweet, spontaneous, sensual lyricism that is a true if small part of the vision of Albion.

Ronald Crichton

Aldeburgh poets

FORTY-TWO years on it *seems surprising that* Poetry has not been given a more individual place in Aldeburgh's proceedings, perhaps because the inspired librettos Britten set to work - Auden, Rimbaud, Hölderlin, Christopher Smart — spoke articulately enough already.

Now the Aldeburgh Foundation has countenanced a new *offshoot. The Aldeburgh Poetry* Trust, self-supporting, counts on the parent body from its elegant offices close to the seafront to handle Box Office and PR, while a Founder Members' appeal augments funds from Eastern Arts and sponsors.

For all the distinguished assemblage of leading poets at last weekend's festive launch, entitled *A Sense of Place,* it was Britten's veteran co-founder and librettist, Eric Crozier, with his wealth of BBC experience, who set the thing alight with *Britten and his Poets,* a well delivered, versatile, probing analysis of the Hardy selection Britten quarried for *Winter Words.*

The rest proved a mix. Poets' aptness for drab dress, poor planning and mumbled emphases *only* accentuates the limited gentry appeal of these occasions. The business of poets may be firstly to compose, but the shortage of commanding "performers" is evident: most shamble amiably through.

James Fenton and John Fuller were undoubtedly the star turns: their Morecambe and Wise joint fireworks *Parting Time Hall* added panache and finesse. Earlier Fenton's acute journalistic awareness of place and crustacean wit had mesmerised with his recent *The Milk Fish Gatherers.* His previous *Berlin Requiem* and *A Staffordshire Murderer* meshed neatly with Ken Smith's best pieces.

David Constantine invoked the Cretan Messoa, and Kernow while Douglas Dunn, pick of the bunch, interspersed Bellocian levity *(An Address to Adolphe Sax in Heaven)* with personalised flickers of History *(Lovemaking by Candlelight)* from his recent collection *(Northlight).* Of the youngsters, Michael Hofmann remains as pungent as ever and Maura Dooley traded Lumb Bank nicely for Pizzaland. Aldeburgh's Poetry Prize went to John Lucas for *Studying Grosz on the Bus* (Peterloo Poets).

Aldeburgh now has a toe in the water. It will need variety, imagination and purpose to help it achieve something fresh and worthwhile; meanwhile, let us hail the initiative.

Roderic Dunnett

Sweet music to Portuguese ears

***Paul Driver** witnesses the birth of an orchestra in Porto*

PORTUGAL IS, as England was once said to be, the land without music. Can you think of a single Portuguese composer? Or even a performer? Fine examples of the latter are, as it happens, to be found — the pianist Maria João Pires comes to mind; but my first encounter with the former — through a recently issued compact disc (Erato ECD 75551) containing two avant-garde works by Emmanuel Nunes (b. 1941) — only took place on the very day I set out to Porto to discover at first hand what the Portuguese government has lately been doing about the country's parlous musical predicament. Lisbon will be Cul*tural Capital of Europe in 1994,* and the nation is under stronger pressure than ever to establish its musical credentials.

In fact the government has risen to the challenge with uncommon vigour. Instead of trying to rectify a few surface errors in the way musical affairs are conducted, it has bravely opted to rebuild — and meet the cost of rebuilding — the country's entire musical infrastructure. The architect of the new scheme Dr Fernando Alçada, who served for ten years as Portugal's General Director of Culture and is also a professor of economics, has secured funding to the tune of an *initial investment of 300m* escudos (£1.2m) and an annual 500m escudos (£2m) for running costs.

What the running costs are *there to run is a newly created* orchestra, the first of two which Portugal hopes to be able to launch into the "world class." This first is the Orquestra do Porto, based in the country's second city, and there it gave a glitzy inaugural concert last week. The second, to be founded in the not too distant future, will have its home in Lisbon.

But Dr Alçada's scheme goes further than the creation of orchestras. He wants new concert halls to go with them; he wants to put an end to union restrictions which, over-protecting Portugal's orchestral players, have resulted in mediocre standards of performance; above all, he wants to instigate a better system of musical education *for the benefit of professional* and amateur players alike. His goal is a heightened awareness of classical music-making throughout the land — new audiences as well as new orchestras.

Portugal has never had a national symphony orchestra — it has had to make do with various radio orchestras, the orchestra of the São Carlos Opera in Lisbon, and the Gulbenkian Orchestra, a chamber-sized ensemble based in Lisbon. As Alçada points *out, many of the players* in these bands were fully-salaried members of them all, and others besides — a state of affairs that made a mockery of *rehearsal and encouraged* supreme complacency.

Passionate, persistent and powerful, Dr Alçada has already proved too much for the communist unions, and his revolutionary plans, which have survived three changes of Portuguese government, are taking effect. The radio orchestras have been disbanded, their members variously pensioned off, assigned to a programme of concert-giving in schools, or (a few) sent for re-training. Only a handful of them were picked for the new orchestra, whose technical standards and contractual system (one-year contracts for the time being, a requirement of three or four concerts a week) are meant to set a stringent new precedent.

The musical director *of the* Orquestra do Porto, Jan Latham-Koenig, and several of his players are British. Nearly a dozen other nationalities are represented, and given that the average age is low (30) and the average level of accomplishment high, the orchestra can instantly be paralleled with Claudio Abbado's *Chamber Orchestra of Europe.* The Porto ensemble is, at the moment, of chamber orchestral size too (45 players), though it will soon be *expanded* to full symphonic proportions.

Some players have abandoned prestigious posts in other orchestras to throw in their lot with Latham-Koenig at Porto. They were drawn thither by the prospect of building a model orchestra under model conditions, the latter including extremely attractive salaries. But, at least for Elizabeth Davies, the British percussionist, escaping from the unsettled state of professional life at home was an equally important factor: "I think a lot of people from England are going to want to work abroad in the next few years."

The players are certainly going to have to work hard for their money in Portugal — Alçada's idea is that on top of their considerable concert commitments *they should* become vitally, evangelically involved in teaching. But with the state's solid backing, the orchestra has a creative *potential which cannot fail to* be stimulating to its members. Already they have been provided with a beautiful rehearsal room (to which a recording studio will be attached) and other facilities in a former convent in Porto.

This stage of the conversion of the building has been reached in only three months — an index of Dr Alçada's dynamic enthusiasm — and even now workmen are busily preparing to transform the huge interior courtyard (a natural opera-set) into the orchestra's own concert-hall. On the top floor of the building is space designated for a string-players' training school.

The orchestra will not only tour in Portugal but abroad. It will make records and take part in opera (a *Ballo in Maschera* at São Carlos next February). It will work with distinguished conductors and soloists. It will promote Portuguese music — for there is some after all, and perhaps there will soon be more as a result of the orchestra's existence.

Latham-Koenig has been given what he regards as a once-in-a-lifetime opportunity to mould a great orchestra. If government funds continue (as seems likely) to flow and the general spirit of idealism prevails, he might conceivably be able to bring off in Porto what Simon Rattle has done in Birmingham *(another "second* city"). True, the Orquestra do Porto does not sound like the CBSO just yet. But when I heard them at their inaugural concert of works by Mozart, Mendelssohn and João de Sousa Carvalho they sounded impressive enough, and had been playing together for all of six days.

Jan Latham-Koenig and orchestra in the newly converted rehearsal room

ARTS

Time for a new house style

Alastair Macaulay on the London Contemporary Dance Theatre

LONDON Contemporary Dance Theatre, which was 21 last year, has now moved into its second generation. Until this year, it was still primarily associated with its two founding fathers – Robin Howard, the visionary who in 1966 launched the Contemporary Dance Trust and the school and company that grew from it; and Robert Cohan, the founder-choreographer who planted the dance technique of Martha Graham on British soil. Without them, where would our local modern dance be? We will be better able to answer that question in coming seasons. Howard died this summer; and Cohan made a farewell quadruple bill of work for the company this June.

The LCDT season that opens at Sadler's Wells this Tuesday is its first under its new artistic director, the American choreographer Dan Wagoner. Like Cohan, he had danced with Martha Graham; he had also danced with Merce Cunningham and, most famously, Paul Taylor. The commitment, passion, thinking processes, of those artists are things he talks of with complete respect today. In his autobiography *Private Domain*, Taylor expresses surprise at Wagoner's announcement in 1968 that he wished to leave Taylor's company after eight years. During the LCDT recent season at the University of Warwick, I asked Wagoner about this. "Paul's style then had been so new because of its sense of flow. But I wanted sometimes to stop the flow. That was how I began my style."

What kind of company has he inherited? Its most crucial work was done in the 1960s and '70s. Though it's widely accepted now that the modern dance of Martha Graham had passed its creative peak by the mid-1960s, it was precisely then that Britain cottoned on to it. Suddenly in 1965 Ballet Rambert became a modern-dance company; and London Contemporary Dance Theatre was formed in 1967. The Rambert made a big impact because it propagated a kind of dance theatre that was new then. It was LCDT, however, that did most at the time to make the British take modern dance as something serious and local.

It sold us above all on its firm, slicing, athletic technique. LCDT performers soon became known as virtuosi. The company's devotees could afford to be snobbish about the Rambert genre of modern dance as being relatively half-baked in stylistic and technical terms. By 1979 Howard and Cohan had achieved a success story comparable to that of the early Sadler's Wells (Royal) Ballet, which had taught people to admit that British ballet dancers could be the equal of any abroad.

This LCDT success story is still moving to contemplate, and it is charted in detail in the recently published *London Contemporary Dance Theatre*, by Mary Clarke and Clement Crisp (Dance Books £15.95). A pleasant shock just to read the foreword by Robert Cohan. The brief that Robin Howard gave him in 1967 was, he recalls, "to bring an injection of American contemporary dance to Britain" and "to form a dance company based on love."

Based on love? How 1960s that sounds today, and how fine. And Cohan succeeded, I believe – not only within the company but also beyond. I began to watch the company in the late 1970s and I recall the loyalty and passionate devotion of its audiences then. Whether or not Cohan's works from the company's first 13 years can be called classics, they've become A-level and GCSE set texts. Immortality of a sort.

In the early 1980s however – somewhere around his 1981 full-length *Dances of Love and Death* – Cohan's choreography began to reveal a certain lack of conviction. By contrast, Ballet Rambert, galvanised from 1980 onward by its new resident choreographer Richard Alston, began to appear just as rigorous and much more innovative.

By the mid-1980s, LCDT had lost not integrity but edge. It took several seasons searching for the right successor to Cohan, who, with perfect tact had begun phasing his work gradually out. Audiences no longer expect a chiefly-Cohan repertory. But, though the company has used other choreographers, no-one save Cohan has really forged an LCDT house style. Wagoner, coming at this moment, has therefore more or less carte blanche to make what he wants from the company.

I asked him about style. "My style is very American, I guess. We stand very informally in our space; British dancers respect rules. These dancers here – they're wonderful. But they aren't free with movement, they don't explode."

There is no condescension about LCDT in his tone, but, if anything, indecision. He admires the size, efficiency, warmth and talent of the company and he often speaks of Robin Howard, but he is a thoroughly American artist. How fully Wagoner will he choose to make LCDT? It is revealing that the first new work he has made for the company is set to music by that most American composer Aaron Copland, but is dedicated to Robin Howard.

LCDT's new artistic director Dan Wagoner

Records

Aspects of Domingo

Wagner: Tannhäuser. Placido Domingo, Cheryl Studer, Agnes Baltsa, Andreas Schmidt, Matti Salminen etc./ROH Chorus, Philharmonia/Giuseppe Sinopoli. DG 427 625-2 (three CDs)

Mascagni: Iris. Ilona Tokody, Placido Domingo, Juan Pons, Bonaldo Giaiotti etc./Bavarian Radio Chorus, Munich *Radio* Orchestra/Giuseppe Patané (two CDs)

Verdi: Un ballo in maschera. Placido Domingo, Josephine Barstow, Leo Nucci, Florence Quivar, Sumi Jo etc./Vienna State Opera Chorus, Vienna Philharmonic/Herbert von Karajan. DG 427 635-2 (two CDs)

THREE RECENT opera recordings, each with Placido Domingo as their hero, remind us of the quality of intellectual curiosity that sets him apart from almost every other leading singer of the day. At an age and stage in his career when he might be forgiven for settling into an endless repetition of safe crowd-pleasers, Domingo goes on adding roles to his repertoire. Chaikovsky's *Hermann* (for the Scala) and Mozart's *Titus* (for Salzburg) are two of the latest, scheduled for the coming seasons.

Sometimes the results prove certain enthusiasms to have been rash (Berlioz's Aeneas, learned for the New York *Trojans* in 1983, was swiftly abandoned); the flirtation with the German dramatic-tenor repertory is unlikely to develop beyond well-guarded limits – as the latest recording of *Tannhäuser* (in the enriched, amplified Paris version) shows.

The title-part, perhaps Wagner's heaviest and most taxing for the voice-type, has been mastered for the gramophone alone. To hear fine, true, evenly produced tone is a rare pleasure in any Wagner tenor role; to hear it in one so often bawled should be doubly so. (Domingo's command of the achingly high tessitura in the finales of the first and second acts may have been aided by recording-studio conditions; even so, what a difference from the usual agonies!)

Yet there is a curious air of unreality about the performance: the more one explores it, the more evident its well-groomed surface and empty centre become. The Spanish-accented German delivery is unidiomatic. That, though, comes to matter less than the apparent absence of any palpable emotional commitment to the sense of the words and their dramatic purpose.

It is above all the tenor who can bring this long-winded, ramshackle opera to life – with growing intensity in the first Venus scene (Domingo keeps his arguments to a single level), with scathing wit in the singing contest (Domingo's outbursts are terribly unexciting), above all with a many-faceted colouring and shaping of the Rome Narration (Domingo's anguish is carefully studied and entirely monochrome). The great climactic imperatives – "Zuihr!" in Act 1, "Nach Rom!" in Act 2 – spark no dramatic thrill. There seems no real reason for the tenor to have taken on *Tannhäuser* – except to cut a new notch on his spear, and to add to the pile of DG's commercially viable opera-packages.

Agnes Baltsa as Venus is another marketable, and even more improbable, bit of package casting: the bright attack and unsensuous tone are miles removed from any useful notion of vocal voluptuousness. Sinopoli indulges his taste for curling-tongs rubato and slow tempos that drain the life out of the dramatic situation (the Elisabeth-Tannhäuser duet of Act 2 seems to drag on forever); all too often the singers lack backbone support, and a surprising number of instrumental untidinesses have slipped through the net – for instance, the final bars of the first act are simply scrambled.

Cheryl Studer (a pure-toned, one-dimensional Elisabeth) and Andreas Schmidt (an elegant, somewhat lightweight Wolfram) suffer most obviously from the conductor's "artistry," since in any properly grounded account of the work they could both find a worthy place. This one is a mirage.

The first-ever recording of Mascagni's *Iris* shows the recording industry, and Domingo, in a rather happier light. The work, a fine-woven tapestry full of lustrous invention, with choral tableaux grandly built up and exotic streaks of instrumental colour, deserves to be re-discovered: it reveals an unfamiliar Mascagni. And seeing that outside Italy the re-discovery is likely to be confined to the gramophone – the libretto, set in a pre-*Butterfly* Japanese never-never-land, is a contemptible farrago of barely concealed misogyny, sexual sadism, symbolism, and mush – it is good fortune indeed that CBS have managed so just and full an impression of the work's musical merits.

The late Giuseppe Patané was at his considerable best in post-Verdi Italian opera. This is, by and large, a notably well-cast performance, in "real," not simply gramophone, terms. Domingo's ardent outpourings could hardly be improved upon. The character he plays, the aristocrat Osaka, is just about the most distasteful element in the whole enterprise, and so the very attractiveness of the portrayal could be judged a fault (not by me, though). Ilona Tokody in the title role is the jewel in the crown. No other soprano today invests her singing with such a passionate richness of vocal and verbal colour; some Scotto-like unsteadiness in the top notes is surely of little importance.

Karajan's final opera recording, *Un ballo in maschera*, contains Domingo's third Gustavus on disc. It is not the most refulgent of the three – moments of high-note tightness and parched tone in the closing scenes are inescapable – but it is, naturally enough, the most mature, graced by endlessly subtle, thoughtful touches. The phrasing is aristocratic. The emotional insights are powerful. You look back to Martinelli, in many ways an entirely different breed of tenor, for a similar display of mature tenorial authority, a similar example of continuous artistic development across a span of time.

There is something altogether special about this *Ballo*. No admirer of Karajan's previous Italian-opera epics, I find here a mood of elevated sensibility, raptness, Old Master refinement, that removes the patina of "perfection" and pierces to the core of the opera. It moves slowly, not in the invertebrate Sinopoli way, but as part of a larger dramatic plan; one loses a degree of the glinting vivacity that should characterize the work, and gains in depth and breadth of focus.

Apart from Quivar's sound, unremarkable Ulrica, the cast is inspired. The choice of Barstow as Amelia was a masterstroke: those who fail to respond to the voice will find here evidence to justify their discomforts, but is there anyone who can remain unmoved by the artistry?

Max Loppert

Stand-up comic

Simon Fanshawe has a clever line on the breach of the Berlin Wall. "Demob threat to our boys," he roars, brandishing the front page of a well-known tabloid paper, whose readers are conspicuously absent from the fashionably leftish Drill Hall audience. "Typical bloody British to pick up the wrong issue," he continues. "We're terrified because we haven't got enemies any more. We've just got Kenneth Branagh saying 'Fight the French, fight the French.'"

Stand-up comics do not, for obvious reasons, like having their best gags quoted in reviews, but Fanshawe's Perrier Award-winning *Extra Special Edition* is so cram-packed with them that a single give-away seems permissible. The exciting thing about this first-class topical comedian is his ability to pick up, process and regurgitate news in his own inimitable way while it is still newsworthy.

His persona is gangly public schoolboy crossed with a minor civil servant. Club tie and specs are offset by a large gold earring, shoulder pads and a chin that does a remarkable disappearing act for the purpose of Prime Ministerial impersonations. Newspapers are both the source and subject of a large slice of his humour. Water privatisation and the San Fransisco earthquake are there, as are the Greens and the "nut-brown wrinklies" of Brighton's nudist beaches remembered from his Sussex University days.

Neil Kinnock sits happily alongside cabinet ministers in the academy of dunces of a comedian who espouses gay and left politics but is never hectoring or obvious about it, allowing his position to emerge bit by bit through an evening of playful swipes to left, right and centre. His own mother, he reminds us when the laughs are getting a bit too easy, is a *Telegraph* reader. And she still comes to see his shows.

The occasional shrewd illumination of the issues behind the issues – as in his Berlin Wall remarks – indicates a man with thoughtful and quick political intelligence and a genuine respect for his audience even if, as he probably suspects, some of them are closet readers of *The Sun*.

Claire Armitstead

Tom Cairns design for *The Park* by Botho Strauss at the Crucible Theatre, Sheffield in 1988

Curtain up on design revolution

Changes are taking place on the stage, says Michael Coveney

AS TREVOR Nunn reminds us in a sumptuous new treasure trove of *British Theatre Design* (Weidenfeld & Nicolson, £30), it was Noël Coward who first declared, after a scenically riotous night of musical comedy, "I came out humming the sets."

Theatre design in this country, in spite of the post-Brechtian leather and steel incursions of the 1960s, has long been regarded as décor that should not interfere with the actors. A polite round of applause as the curtain rises will do nicely, thank you. In recent years, the Coward remark has become an over-used critical cliché to camouflage a reluctance to countenance the hi-tech revolution on the lyric stage as being anything but indulgent over-kill.

Just how far theatre design has evolved, and especially over the past decade, is clearly shown in the book. But to see the process in action, you should visit an exhibition of stage design by graduating students that has just opened in the Lyttelton circle foyer of the National Theatre in London (until December 9). It marks the announcement, last Tuesday, of the winner of the second Linbury Prize for Stage Design (the first was in 1987), sponsored by Sainsbury's, and judged by three professionals, Alison Chitty, Bob Crowley and Antony McDonald.

The winner was 29 year-old Kenny MacLellan. He received a cheque for £2,000 from Dame Judi Dench, who joined the judges in their final deliberations. MacLellan, who trained at the Glasgow School of Art and on the Almeida Theatre Design Course, also picks up a professional commission to design a London production for Théâtre de Complicité.

Each of the 14 Linbury finalists worked on one of three putative projects: a Jacobean tragedy with Complicité in the Old Vic on a budget of £10,000; a new piece, to Boulez's *Le Marteau sans Maitre*, by Richard Alston for Rambert Dance in the Birmingham Rep or Leicester Haymarket on a budget of £7,800; and *Oedipus Rex* with the National Youth Theatre in the Playhouse, London, on a budget of £15,000.

This wonderful scheme ensured that the students were not designing in a void, so to speak, though voids are certainly all the rage. The resultant displays have drawings, story boards, specimens of materials, character notes and the set models, all tantalisingly well lit. You can see here what happened to Christopher Morley's original white box, absorbed down the years from Sally Jacobs' austere gymnasium for Peter Brook's RSC *Dream* to Richard Hudson's diagramatically populated blank landscape for *A Night at the Chinese Opera*. It heaves and fractures and finally explodes as furniture flies, back walls loom, and props stick like burrs to casually daubed façades.

This freeing up of the stage space corresponds in MacLellan's Jacobean entry to brutalist contemporary imagery in costume and machinery. Victims are trussed up in spiked cages under a banquet table; the stage is a nightmare environment of scientific nastiness; the protagonists wear great muffled shoes, black quilts and bikers' leggings. You feel terrified without a word being spoken.

All the judges averred that there was little to choose between many of the entrants. The standard is almost shockingly high. Runners-up Neil Warmington (b.1966) and Tim Hatley (b.1967) provide muscularly consistent visions: a suspended garden, tragedians decked out in inverted patchwork underwear, and an abstract low-flying silvery dance playpen. I was much impressed, too, by Jackie Brooks's (b.1962) more powerfully traditional, ochreous Greek palace environment; by Snorri Hilmarsson's (b.1965) grey and silver Jacobean two-tier warren of doors and boxes; and by Tania Spooner's (b.1964) furiously brazen work – sure signs here of raw talent *and* technical ingenuity.

The students come from courses in London, Birmingham, York and Leeds. The best courses, avers Bob Crowley, are run in London at the Central School of Art and Design, the Slade, and the Wimbledon College of Art. All are represented here. If design is flourishing, the big problem, says Crowley, is the lack of good young directors for them to work with. The drop-out rate is high. What is the chief requirement in a good designer? To know how to read a play; Crowley says it took him years to learn that.

The mainstream professional theatre remains deeply conservative in Britain. Turn back to the book edited for Weidenfeld by John Goodwin. In a foreward, Peter Hall says "modern abstract design does not seem to me to express Verdi." Anyone of moderately receptive intelligence who has seen the ENO's magnificent *Masked Ball* will dispute that contention.

For, as the book confirms, it is in opera and dance that the design revolution has taken place in Britain. Michael Ratcliffe suggests that the Chéreau/Peduzzi 1976 *Ring* at Bayreuth was the key influence. Maybe so. But the new breed also owes much to the ENO's guiding design light, Stefanos Lazaridis, and, as Mary Clarke and Clement Crisp remind us, to the Royal Ballet collaborations of Kenneth MacMillan and Nicholas Georgiadis. The successors to John Bury and Sean Kenny, John Napier and William Dudley, architectural schemers and rummagers in rubble and hardware, may be the first and last in their line.

Perhaps our greatest unsung design maestro, Philip Prowse of the Glasgow Citizens, is under-represented here. He, above all, though occasionally luxuriant, rejects the idea of design being something separate from the event itself. Thus he also directs.

And as a chastening antidote to the book's rich splendours, Pamela Howard (head of design at Central) appends a lucid advertisement for the informal and intellectually integrated quality of much British design away from the traditional houses. She implies that the best design is not often easily illustrated in books or displayed in exhibitions. It is an inseparable part of the interpretative process.

The venues we may cite where this work happens are the Tramway in Glasgow; the ICA, Riverside Studios and Almeida in London; Brook's Bouffes du Nord in Paris; the street, the warehouse, the pub. It is all a far cry from the painterly heyday of Oliver Messel and Leslie Hurry so authoritatively evoked by Roy Strong in the book's first chapter.

Radio

European gossip missed the news

THE FIRST week of *Europhile* – Radio 4's new programme on Saturday mornings and Sunday evenings that will cover current affairs all over Europe – hit the same sort of snag as *The Chinese People*. It was overcome by contemporary history.

By Sunday afternoon, when I heard the programme, the people of East Berlin were already hoping to change the map of Europe, yet we heard only the first steps. Some other interesting European gossip was there, all the same – a trial of the East German mass-produced car, 26 horse-power two-stroke, on the Nurburgring; the "car-boot sale" at the Yugoslavian border, where Russians could buy domestic luxuries like videos in exchange for any goods they had to swop.

But naturally the news-bulletins got the vital bits sooner. No discredit to presenters Philippe Chantenay and Josef Joffe, who did all they could. But a loud boo to the directing "*Europhile* team" in Paris for their awful introductory sounds and their interspersing of songs and things to "illustrate" each item. I hope they heard the listeners' views on such matters on *Feedback*, which immediately preceded them on Sunday. That would teach them not to illustrate graphic items so.

By chance, Berlin was twice in the week's schedule. On Sunday, *By Brecht Alone* on Radio 3 had a look at the Berliner Ensemble in this, its 40th year. One West German critic labelled it "a museum for tourists." When, after Brecht's death, I asked his widow, Helene Weigel, if they would ever give up the now historic Brecht style, "Not while I live!" she said. Under Martin Wekwerth and Joachim Tenschert, now she is dead, some of the best known players have left, and Martin Esslin rates today's company as "German provincial."

It was interesting, though, to see how much in touch with Communist Germany they were. "The DDR is moving into its second phase after socialism," one visiting director thought (before last weekend). And Brecht, parodying a fiat by the Secretary of the Writers Union that people had forfeited the confidence of the government by not working harder, wrote "Would it not be better for the government to dissolve the people and elect another?"

Triumph in Berlin on Monday dealt with Wagner. I could not hear it because I was busy with the triumph of Herr Modrow, and my Europhilia now shifts to France, which has provided this year's Reith lecturer, Jacques Darras.

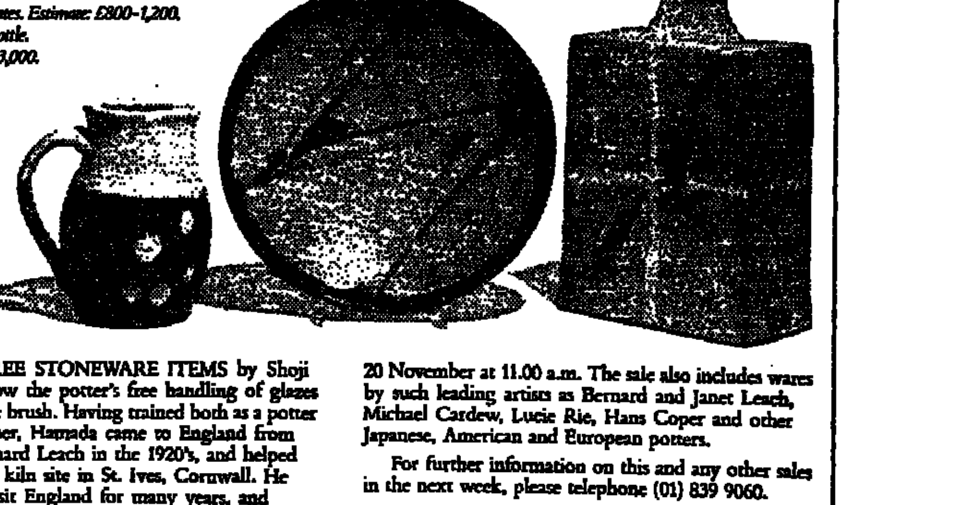
Professor Darras gave an introductory talk on Radio 4 on Wednesday. *Poet's Progress* it was called, and it was indeed about the progress of the poet himself, from birthplace Abbeville, to Lens, to the Grande Place in Brussels, to Iona, to Mull, each fertile of ideas. He regards himself as an outsider and goes for the outsiders here. The "dark ages," he reckons, were the 18th, 19th and 20th centuries. I hope Lord Reith is lying quiet in his grave.

This Monday's Globe Theatre play was *Eating Words*, by Richard Nelson, the American playwright whose work goes down better here than in his native Chicago, and who had *two* introductory talks before the play. This piece gave a fine display of his technique; it had little to say beyond belief in the ability of literature to triumph over misfortune, but it said it very acceptably.

Its plot, insofar as it has one, deals with a meeting between an American novelist, Sam, whose wife has just left him because she reckons he put her into his latest novel, and a gay English novelist, Henry, whose friend has just died and who is confined to a wheelchair by illness. They swop troubles over lunch and an afternoon's drinking, and very entertaining Ed Asner (Sam) and John Woodvine (Henry) make them. But if the director, Ned Chaillet, had heard that same *Feedback*, he might have been less wholesale with the eating and drinking noises. I wonder how they appear in Nelson's script.

B.A. Young

Chess No. 798:
1 Bxf6 Bxf6 2 Qxh7+! Resigns. If Nxh7 (Rxh7 3 Rg8 mate) 3 Rxh7+ Kxh7 (Rxh7 4 Rg8 mate) 4 Rh3+ Bh4 5 Rxh4 mate.



SPORT

After Adelaide: can it get worse?

Is money now more important in motor racing than drivers' lives? asks ***John Griffiths***

THEY WOULD not dream of admitting it in public. But big corporations in the US and Japan, those in the process of committing their companies to *eight*-figure sponsorship sums for the 1990 grand prix motor racing season, can hardly believe their luck.

Howls of outrage over safety are still reverberating around the motoring press after the Australian grand prix where, in 70 laps of spray-shrouded mayhem, 13 of the world's 26 finest drivers were eliminated by crashes. According to Ferrari driver Gerhard Berger, the official who let the race start "should be put in the electric chair."

A row over whether the 1988 world champion, Ayrton Senna, should have been disqualified from the preceding grand prix in Japan, dashing his last chance of gaining this year's title, has escalated into a confrontation involving a $100,000 fine and the prospect of lengthy legal proceedings.

The disqualification itself marks only the climax of a season-long, highly public mutual loathing between Senna and his Honda-McLaren "team-mate" until this week, 1989 world champion Alain Prost. The hostility exploded into what looked like a high-speed collision of Marlboro cigarette packets in Japan as the two aspiring champions effectively – some would say appropriately – knocked each other out of the race.

This might sound much more like a sport brought into disrepute than a cause for celebration. But it has provided great and – at Adelaide – shockingly riveting television. That is why the nearly 40 teams making up the Formula One "circus" will have less difficulty than usual this winter in persuading sponsors to dig even deeper into their pockets.

At least 100m television viewers in 80 countries, including China, watched the Adelaide chaos. As a result of this year's controversies, TV audiences for grand prix motor racing have been rising even faster than the teams' highly accelerative costs.

Indeed, thanks to the spectacularly successful innovation of video cameras installed on the cars, those 100m were actually looking from behind British driver Martin Brundle's back suspension when Senna's car catapulted out of the spray at 150mph to collide with it.

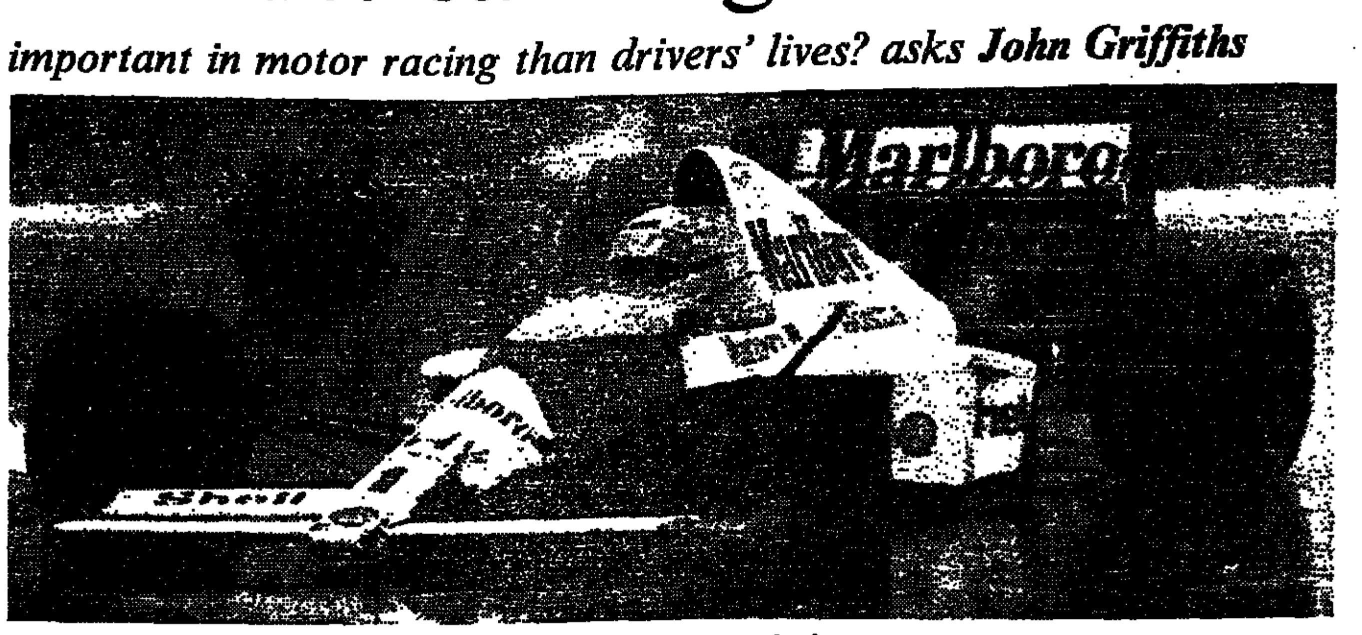
Television sport programmes the world over have analysed and re-analysed the Senna-Prost collision at Suzuka while debating the blame. In re-running the film footage from every angle, they have given Marlboro brand owner Philip Morris even more minutes of *gratis* air-time.

Such extended global exposure helps to explain why the multinationals who provide most of the funds for the sport – such as Philip Morris and R. J. Reynolds, the tobacco giants; clothing group Benetton and Canon, the Japanese electronics concern – are prepared to pay vast sums for their names and colours to be carried on the cars.

Precise budgets remain closely-guarded secrets. But authoritative estimates are that each of the dozen or so front-running teams now requires between £30m and £40m in sponsorship funds for a season. Astonishingly, even these amounts do not include the cost of engines – each worth £30,000 at least and requiring continuous rebuilding.

Prost and Britain's Nigel Mansell are each expected to be paid around $9m (£5.7m) by Ferrari next season. Senna will be on a similar sum at Honda-McLaren and those immediately in their slipstreams will be in the $5m to $7m bracket. All pick up extra sums from "personal" sponsors prepared to pay six or seven figures for space on helmets or overalls.

The furore, set to rage unabated between now and the start of the new season in the spring, is whether the financial stakes have become so high that even drivers' lives are becoming a secondary issue.



Ayrton Senna rounds a corner of the Adelaide Grand Prix track on three wheels

"The decision to plough on with the Australian grand prix indicates that FISA, the Paris-based world governing body of motor sport, holds no more respect for drivers' lives than those in charge of the Roman gladiators – pushing them into combat against ridiculous odds and charged with entertaining the masses," thundered Autosport, the authoritative racing magazine, last week.

Nor was Berger alone among the drivers in his condemnation of being required to race. Mansell declared himself to have been effectively "a passenger" when he spun in a puddle – on the straight. Nelson Picquet emerged from his Lotus to say that at 190mph the visibility was "about seven feet – I am very glad to be alive tonight."

Until Adelaide, it had been several years since a fatality or other grave incident had led those who organise, promote and benefit financially from grand prix events to confront seriously the question of what represents an acceptable level of danger. In the view of many, Adelaide – the last grand prix of the season and with the title already decided theoretically in favour of Prost – exceeded the acceptable.

Indeed, the first attempt to run the race had to be abandoned after a few minutes, so atrocious were the conditions.

Yet, even among the drivers there was disagreement. Senna was in favour of the race being run and Arrows' Derek Warwick admitted openly: "We have television to honour."

Max Mosley, chairman of the FIA manufacturers' commission, former grand prix team chief for March and a one-time Formula Two driver, put it even more bluntly: "I would certainly have run it. The drivers happily collect nearly $10m in a year or so and, given the TV element, there was an absolute obligation to start the race. It's up to the drivers to go sufficiently slowly to finish.

"You might remember that there was one man [eventual winner Thierry Boutsen in his Williams-Renault] who succeeded in driving for two hours without making a mistake. Given sufficient bad luck, you can get killed at any moment in motor racing – and I'd still feel the same way if there were no TV contracts . . ."

Another official defended the sponsors. "Given the purist backlash, they can hardly be blamed for removing themselves from the firing line and saying that it was entirely a matter for the administrators and organisers of the event to decide," he declared.

But most in positions of power on the grand prix racing scene, which is dominated by British teams and engineering expertise if not British drivers, know the fears of motor racing.

As Mosley suggests: "It colours the whole thinking – and gives the lie to the thought that it's all money-motivated."

Amid all the controversy, the once certainty is that grand prix racing will become even bigger. One obvious reason is the higher public interest plateau from which it will start in 1990.

Another is that in the past year, in particular, the sport has captured an unprecedented, global audience on a regular basis. Only the Olympics, the soccer World Cup, perhaps Wimbledon and some world boxing title fights reach similar audiences.

Potentially most important, however, is the impending, although still unannounced, arrival in force on the grand prix scene of more of the big battalion car-makers, both Western and Japanese.

Japan's devastatingly successful manufacturers now are challenging Europe's finest in the luxury and sports car spheres. They have the products but not – yet – the prestige. They believe success in grand prix events and other motor sports provides a short cut.

Arrogance, complacency and protectionism having failed them in the market-place, the Europeans will have no choice but to respond. When that final confrontation comes, Adelaide will seem like a picnic.

Liverpool top every table

Philip Coggan *finds the "winningest" soccer team*

LIVERPOOL have been the outstanding team of each of the past two decades but is it possible to quantify their dominance? And can you compare the teams of different eras?

As a lover of American sports, where statistics are found for every moment of a game – even averages for batters facing left-handed pitchers with runners on base – it frustrated me that football seemed to content itself with goals for and against.

So, armed with data from the Rothmans' football yearbooks, I compiled First Division statistics from 1980-81 until the start of the present season, and for the seasons 1970-71 until 1979-80. The idea was to discover the "winningest" teams over the years, the equivalents of American football's top-rated offences and defences, and to examine the influence of home advantage.

The results are conclusive: *Liverpool top every table.* Their remarkable consistency is demonstrated by the fact that, in each of the past two decades, they have won between 55 and 56 per cent of their games. Only their home record has slipped between eras. In the whole of the 1970s, they lost just nine games at Anfield; in the 1980s that has risen to a modest 22.

Forwards seeking to prise open Liverpool's defence could take heart from the fact that they are conceding slightly more goals per game in the 1980s. But since the difference represents only one goal in every 11 games, there is little cause for manager Kenny Dalglish to take fright.

Of the other teams in the tables, the obvious change is the demise of Leeds who, under manager Don Revie, threatened to challenge Liverpool's hegemony in the 1970s. The Yorkshire club lasted just two seasons in the 1980s before slipping into the Second Division. Their place as runner-up to Liverpool has been taken by Everton, who feature in all the 1980s' rankings but none of the 1970s'.

Other teams to show remarkable consistency over the two decades are Arsenal and Nottingham Forest. The latter club spent half the 1970s in the Second Division but, under Brian Clough, took the championship at their first attempt after promotion. For the last three seasons of the 1970s, Forest's home record was won 42, lost one.

One gratifying trend shown by the statistics is the increase in the number of goals per game. Liverpool (of course) lead the way, scoring around one more goal every three games than they did in the 1970s. But it is good to see the anecdotal impression confirmed that Spurs have been an attractive side to watch; their rivals, Arsenal, *confirm* north London prejudices by being more prominent in the defensive tables.

The importance of home advantage is highlighted by the fact that only one club (yes, Liverpool) has won more away games than it has lost in the 1980s. Even so, the statistics show that, in most games, the away side has more than a 50-50 chance of achieving at least a draw.

I omitted the tables of worst performers, which are full of clubs, such as Carlisle and Blackpool, which just had one season in the First Division before being relegated. But Crystal Palace supporters, suffering already after a 9-0 defeat by Liverpool this season, might reflect on the club's one previous 1980s' foray into the top flight; Palace lost 29 out of 42 games. To date, that is the worst record of the 1980s.

Time and space did not permit the analysis of earlier decades, but it would be interesting to discover if Arsenal in the 1930s, or Wolves in the 1950s, came anywhere close to the domination achieved recently by Liverpool.

Best record (percentage of games won)

Team	1980s	Team	1970s
Liverpool	55.9	Liverpool	55.5
Everton	47.6	Leeds	46.9
Arsenal	46.2	Arsenal	44.3
Nottm Forest	44.9	Nottm Forest	41.9
Manchester Utd	43.8	Ipswich	41

Best attacks (goals scored per game)

Team	1980s	Team	1970s
Liverpool	1.84	Liverpool	1.55
Tottenham H	1.61	Leeds	1.50
Nottm For	1.57	Manchester Utd	1.45
Everton	1.55	Aston Villa	1.40
Watford	1.54	Manchester City	1.36

Best defence (goals conceded per game)

Team	1980s	Team	1970s
Liverpool	0.83	Liverpool	0.74
Manchester Utd	0.98	Leeds	1.04
Everton	1.04	Arsenal	1.06
Derby	1.04	Middlesborough	1.1
Arsenal	1.09	Nottm For	1.12

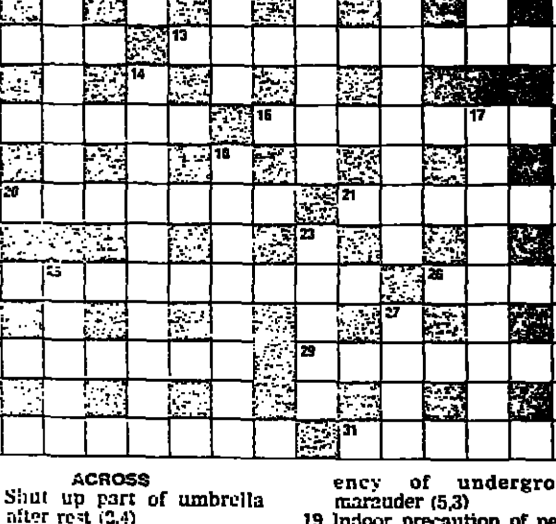
Best home teams (percentage of games won)

Team	1980s	Team	1970s
Liverpool	67.7	Liverpool	75.2
Everton	60.8	Leeds	59
Manchester Utd	58.1	Arsenal	57.6
Arsenal	57.5	Manchester City	57.6
Nottm For	55.9	Aston Villa	55.2

CROSSWORD

No. 7,093 Set by CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday November 29, marked Crossword 7,093 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday December 2.



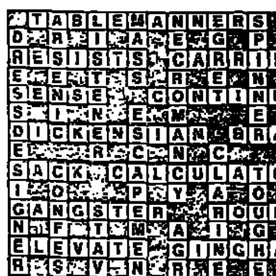
ACROSS

1 Shut up part of umbrella after rest (2,4)
4, 26 Skill at melody-making for infectious person in RN (5,7)
10 Anon has been unmasked, praise the Lord (7)
11 See 3
12 Notice the score? (4)
13 Vegetables without backbones have a fruity quality (10)
15 Deliberately vexatious? (6)
16 Day for entry in RN (7)
20 Company, say: some serve in RN (7)
21 Dog swallowed man in his collar (6)
24 Superiority of currency (10)
26 See 31
28 See 4
29 Ray for boat in RN (7)
30 French horn insufficiently checked in RN (8)
31, 26 The liberal past revealed in RN (10)

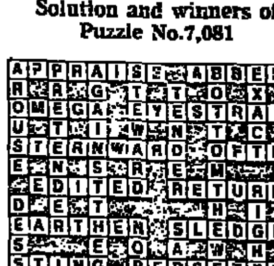
DOWN

1 Whether he is insect or hippopotamus? (3)
2 Broken reeds keep a weight in RN (9)
3, 9 Composer's stratum in RN.... (9)
3, 11 ....ditto footballer ditto (11)
5 Post needing no attention with pole out of place is rocky (8)
6 Friend eating egg without success wants something to put in mouth (7,3)
7 Fruit of an eye (5)
8 Punish the endlessly impetuous (6)
9 See 3
14 Mood which is significant? (10)
17 Most worthless of the arts is translation (9)
18 We have rights in constituency of underground marauder (5,3)
19 Indoor precaution of people he disturbed (4-4)
22 Drug from melting icecap (6)
23 Less than the right accent? (5)
25 Losing head in panic is a mistake (5)
27 District of the Far East (4)

Solution to Puzzle No.7,092



Solution and winners of Puzzle No.7,081



Mr J. Dick, East Kilbride, Lanarkshire; Miss D.J. McFetridge, Newtownabbey, Co. Antrim; Mr T.M. Moore, London NW5; Mr B. Lloyd, Mold, Clwyd; Mrs M.R.Y. Stonard, Lower Swainswick, Avon.

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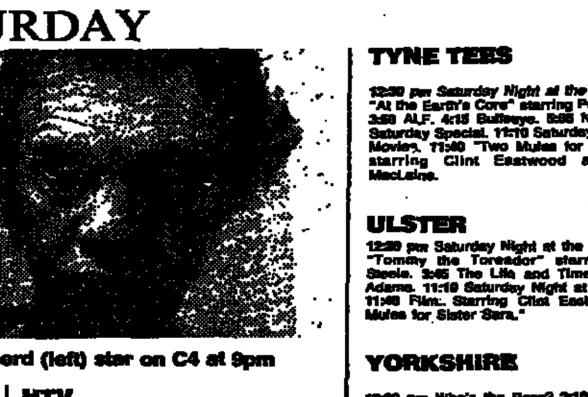
BBC2

CHANNEL 4

S4C WALES

LONDON



Daniel Massey and Jack Shepherd (left) star on C4 at 9pm

CENTRAL

CHANNEL

GRAMPIAN

ANGLIA

BORDER

HTV

SCOTTISH

TSW

GRANADA

TVS

TYNE TEES

ULSTER

YORKSHIRE

RADIO

RADIO 2

RADIO 3

RADIO 4

SUNDAY

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BBC2

CHANNEL 4

S4C WALES

LONDON

ANGLIA

BORDER

CENTRAL

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

RADIO

RADIO 2

RADIO 4